6-2-1993

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On Latest Nafta Developments

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Category/Department: General
Published: Wednesday, June 2, 1993

On May 26, US Trade Representative Mickey Kantor raised the possibility that implementation of the North American Free Trade Agreement (NAFTA) may be delayed beyond its target date of January 1, 1994, if negotiators cannot quickly resolve the sharp differences that have emerged during negotiations on the treaty's parallel accords. According to Kantor, Mexican, Canadian and US negotiators continue to disagree strongly on how much enforcement power to give to the trilateral commissions on labor standards and the environment. The US would like to give the panels the power to impose sanctions for repeated violations. However, Mexico is concerned that the panels could take precedence over its own national laws, while Canada has raised objections because of the possibility rulings from the panels could create a precedent for unwarranted trade sanctions. Kantor's statement came just one day before the Canadian House of Commons narrowly approved ratification of the treaty. As expected, the May 27 vote was divided along party lines, with members of Prime Minister Brian Mulroney's Progressive Conservative Party supporting ratification and legislators from the opposition Liberal Party and New Democratic Party (NDP) opposing the measure. In criticizing the treaty, NDP leader Audrey MacLaughlin warned that NAFTA would be detrimental to the average Canadian. "NAFTA is a sellout of Canadian jobs, a betrayal of Canadian families, and only one of the many trade options from which Canadians can choose," she said. Liberal Party leader Jean Chretien questioned the administration's decision to seek ratification of NAFTA prior to conclusion of negotiations on the parallel accords. On June 1, the Canadian Senate began consideration of legislation to ratify NAFTA. Mulroney's party also holds a majority in the Senate, virtually assuring passage in that legislative body. Mulroney, who is stepping down as Prime Minister on June 19, said that even after the two Canadian legislative bodies have ratified NAFTA, the executive branch will not seek royal assent (rubber stamp approval from the representative British crown) until the treaty is ratified in the US and Mexican legislatures. According to political analysts, Mulroney's rush to have NAFTA ratified before his departure from office was an effort to keep the treaty from becoming a campaign issue during the next election, probably in September or October. According to a public opinion poll conducted by the Gallup organization in April, only 37% of Canadians support the treaty while 54% are opposed. Mulroney traveled to Washington on June 1 to meet with US President Bill Clinton to discuss the status of negotiations on the parallel accords and to assure him that Canada's position on NAFTA will not change when an interim prime minister is named to take his place. Meanwhile, during a meeting of the Foreign Policy Association in Washington on May 27, Kantor and Mexican Trade Secretary Jaime Serra Puche described the Canadian vote as a "step in the right direction." However, later in the day Kantor gave a less optimistic assessment during a conference with small-business owners in Washington. When asked by conference participants if recent difficulties in the talks on the parallel agreements could delay implementation of NAFTA, Kantor replied: "Of course, they can." Meantime, President Carlos Salinas de Gortari, who traveled to several US cities on May 27-28 to participate in college commencement activities and to meet with members of the US business and academic community, took advantage of the opportunity to promote NAFTA and US-Mexican relations. While Salinas' schedule did not include any meetings with US members of Congress, his visit to the US was widely viewed as part of wide-ranging Mexican efforts to lobby for NAFTA. On May 20, the Wall Street
Journal reported that the Mexican government was spending about US$15 million per year to lobby the US Congress on behalf of NAFTA. According to the report, the government has hired at least 24 lobbying, public relations and legal firms to promote the treaty in the US Congress. Former New Mexico governors Toney Anaya and Jerry Apodaca and former US Trade Representative Bill Brock were said to be on Mexico's payroll. The controversy surrounding the lobbying effort flared up again on May 27 when the Washington-based Center for Public Integrity released a report suggesting that Mexico's NAFTA lobbying and public relations expenditures have totaled US$25 million to date. The Center projected that another US$5 million to US$10 million will be spent on the lobbying campaign this year. According to the Center, Mexico's pro-NAFTA campaign will thus surpass previous large-scale lobbying efforts by foreign governments, such as those launched by Kuwait and Japan. However, the Center pointed out that none of the Mexican government's efforts have been illegal. The renewed publicity on Mexico's lobbying efforts coincided with a 30-minute television program produced by former presidential candidate Ross Perot on May 30, in which he warned that, if approved, NAFTA will result in a massive transfer of US jobs to Mexico. In the program, Perot urged voters to pressure members of Congress to reject the treaty. However, later that day, a bipartisan group of six US lawmakers quickly responded to Perot's charges, stating that they firmly believe that NAFTA will promote US economic growth. The lawmakers, mostly representing states bordering Mexico, were: Democrats Robert Matsui of California, Kika de la Garza of Texas and Bill Richardson of New Mexico, and Republicans David Drier of California, Jim Kolbe of Arizona and Nancy Johnson of Connecticut. Perot's campaign against NAFTA is paralleled by a new effort sponsored by the US labor organization, the AFL-CIO, to defeat the treaty. The AFL-CIO has launched a campaign to gather signatures against the current text of NAFTA. The petition asks Congress and Clinton to "dump" NAFTA because it "ignores basic human, environmental and worker rights." While Perot reiterated his long-standing position that the parallel accords on labor and the environment will not improve NAFTA, AFL-CIO president Lane Kirkland said he will support the treaty if the concerns of his organization are addressed through the parallel agreements or through a renegotiation of the NAFTA text. US Rep. John LaFalce (D-NY) raised a separate matter of concern to some members of Congress. Speaking at a hearing of the House Small Business Committee in mid-May, LaFalce said NAFTA must contain mechanisms to coordinate US-Mexican monetary policy and provide for "consultations or corrective measures if exchange rates are used to promote competitiveness." He suggested this could be achieved through negotiation of another parallel agreement. LaFalce expressed concern that Mexico may substantially devalue its peso in an attempt to counter its growing trade deficit, which some economists project at near US$27 billion this year. "We must anticipate the problems caused by sharp changes in the currency alignments," LaFalce said. (Sources: AFL-CIO News, 05/17/93; La Jornada, Journal of Commerce, 05/21/93; United Press International, 05/25/93; Reuter, 05/26/93, 05/27/93; Deustche Press Agentur, Spanish news service EFE, New York Times, 05/27/93; Agence France-Presse, 05/27/93, 05/28/93; Associated Press, 05/27/93, 05/31/93; El Financiero International, 05/31/93; Notimex, 05/27/93, 05/28/93, 06/01/93)