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Uncertainty Remains Over Fate Of North American Free Trade Agreement In Upcoming Vote In U.S. Congress

by Carlos Navarro

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President Bill Clinton's administration and Democratic Party leaders in the US Congress have reached an agreement ensuring that the North American Free Trade Agreement (NAFTA) will come up for a vote in the legislature before year-end 1993. On Sept. 29, President Clinton told reporters he hoped to complete a joint review of the enabling legislation with Congress by the end of October in order to have NAFTA formally introduced in the House by early November. According to Mexico's government news agency Notimex and the Journal of Commerce, key House Democratic opponents of NAFTA such as House Majority leader Richard Gephardt (D-Missouri) and Majority Whip David Bonior (D-Mich) have promised Clinton they will not employ stalling tactics to delay a vote on NAFTA until next year, when the President's fast-track authority would no longer be in effect. Fast track waives the US legislature's right to modify contents of legislation once the executive submits the treaty for approval, forcing Congress to simply vote "yes" or "no" on the entire bill. Rufus Yerxa, the chief US NAFTA negotiator, told members of the House Ways and Means Committee on Sept. 28 that the NAFTA enabling legislation includes the basic text of the agreement signed in December 1992; the parallel accords negotiated in August 1993; a measure allocating resources to clean up pollution on the US-Mexico border; and a retraining program for workers who lose their jobs as a result of NAFTA. A confidential survey of US representatives by USA*NAFTA - a pro-NAFTA lobbying group indicated that support for ratification has declined among US legislators since Aug 6. According to the survey, President Clinton could win a handful of new votes if he makes some specific concessions to undecided members of Congress. For example, the study argues that an agreement between Mexico and the US that protects the US sugar industry from a possible surge in imports would win an additional eight votes in the House and four in the Senate. In fact, as part of the joint review, the administration is reportedly considering concessions to individual members of the House in order to gain their support. According to the New York Times, the process could become complicated if Clinton does not carefully consider each request. "The trick for the administration is to do a favor here and make a concession there without opening the floodgate of requests that would force it to go back to Mexico for last-minute rewrites of the NAFTA text," said the Times. "And by satisfying one group of lawmakers, the administration risks upsetting another." President Clinton has also had a difficult time gaining converts among US labor groups. In a speech to the powerful AFL-CIO labor federation on Oct. 4, the President defended NAFTA while at the same time assuring union members he understood their concerns about their jobs. Clinton told the AFL-CIO that NAFTA would strengthen the US economy, which would lead to more US jobs. He also suggested that US trade deficits with Asian nations were a greater threat to US jobs than NAFTA. Despite these and other efforts, the AFL-CIO remains firmly opposed to the treaty. According to a public opinion poll conducted by the Times-Mirror organization on Sept. 24-27, the US public also remains largely divided over NAFTA. The survey found that 42% of 1,529 persons polled supported NAFTA, 37% were opposed, and 21% were undecided. Those who said they were opposed most frequently cited the potential loss of jobs to Mexico. Meantime, US private sector organizations have intensified their efforts to gain support for NAFTA. For example, on Sep. 30, the
Mobil Oil Corp. took out an advertisement in several major US newspapers endorsing the treaty. "Perhaps the most important reason for Congress to pass NAFTA is the statement it makes to the world," read the advertisement. "We can't ask others to dismantle trade barriers against us while we refuse to do so with Mexico." Mobil's public support contrasts with previous reports indicating a reluctance by the US petroleum industry to take a stance on NAFTA. In September, the Reuter news agency had reported that US petroleum companies remained neutral, reasoning that the treaty offered "selective free trade" and created few advantages for US oil companies. According to the that report, many US oil companies had hoped that NAFTA would contain provisions that would reduce the tight control of the state-run oil company PEMEX over the Mexican oil industry. Other corporations have taken a different approach. For example, Wal-Mart chief executive David Glass wrote all the company's suppliers in August encouraging them to lobby in favor of NAFTA, while Chrysler chairman Robert Eaton made the same request of plant managers. The corporations' lobbying efforts have caused outcry from at least one public interest group. Charles Lewis, executive director of the non-profit Center for Public Integrity which has conducted a study on NAFTA lobbying efforts accused large companies of placing "inappropriate pressure" on workers and small businesses to support NAFTA. In Mexico, the private sector has a mixed view on NAFTA's prospects in the US Congress. Many business organizations are preparing for the possibility that NAFTA will be defeated. Still, they are downplaying the impact of the treaty's rejection, suggesting that it may just represent a delay in implementation. For example, on Sep. 29 Gonzalo Robles Valdez, vice president of the Mexican Finance Executives Institute (Instituto Mexicano de Ejecutivos de Finanzas, IMEF), warned that if NAFTA is not ratified, foreign investors would take their money to countries in Asia such as Singapore and Japan. Still, in the same speech, Robles expressed confidence that the US Congress would eventually approve NAFTA. And, in a report released in late September, the Mexico City-based financial analysis company Ciemex-Wefa also suggested that the economic slowdown experienced by the Mexican economy during 1993 could last through at least the start of 1995 if NAFTA is not enacted as scheduled on Jan. 1, 1994. However, the study also noted that a delay of a few months would not be "catastrophic" for the Mexican economy. According to the Ciemex-Wefa study, if NAFTA is indeed delayed, Mexico's GDP growth would be limited to 2.7% for 1994, and 3.5% in 1995, although both estimates are still higher than the 1.9% forecast for 1993. Under the Ciemex-Wefa scenario, inflation is expected to increase to 12.3% in 1994 and drop to 11.8% in 1995, compared with the 9.5% rate predicted for this year. The Mexican government is targeting a 5% inflation rate for 1994 (for more details see story on PECE in this issue of SourceMex). Meanwhile, the National Confederation of Industrial Chambers (Confederacion Nacional de Camaras Industriales, CONCAMIN) urged the Salinas administration not to delay further action on complaints about dumping against US industries and companies. At a meeting in late September, business leaders representing 66 industrial chambers and 17 associations charged that because of ongoing uncertainty about NAFTA, the administration had placed on hold many complaints about unfair trade practices by US companies, including cement and chemicals. The Salinas administration itself remains cautious in its statements regarding the fate of NAFTA. For instance, on Sept. 29, Jaime Zabludowsky, coordinator of international trade negotiations for the Trade Secretariat (Secretaria de Comercio y Fomento Industrial, SECOFI), told an industry group that NAFTA is not necessary to stimulate continued growth in trade among the US, Mexico and Canada. Rather, he explained that Mexico is seeking NAFTA more as tool to reduce uncertainty in commercial transactions among the three countries and limit the opportunity for Canada or the US to take unilateral protectionist measures against Mexican products. Political analysts suggest the uncertainty over NAFTA has led the ruling Institutional Revolutionary Party (PRI) to delay...
nominating its candidate for the presidential elections, scheduled for mid-1994. Traditionally, the PRI has named the candidate a full year before the election. However, on Sept. 30, PRI president Fernando Ortiz Arana told reporters that the party's nominee will probably not be known until sometime after Jan. 1. "If he's named before the first quarter [1994], you could force the candidate to go on the record about NAFTA, which could be embarrassing if there's a NAFTA defeat," M. Delal Baer, senior fellow and director of the Mexico program at the Center for Strategic and International Studies in Washington, told The Associated Press. (Sources: Reuter, 09/07/93; La Jornada, 09/20/93, 09/21/93, 09/23/93, 09/25/93; El Financiero, 09/28/93; Notimex, 09/28/93, 09/29/93; Agence France-Presse, 09/29/93, 10/01/93; Associated Press, 09/27/93, 09/28/93, 09/30/93; USA Today, 09/30/93; New York Times, 09/30/93, 10/05/93; Journal of Commerce, 10/01/93)

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