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SPEECHES

THE PROPOSED NORTH AMERICAN FREE TRADE AGREEMENT AND THE IMPLICATIONS FOR U.S.-MEXICO RELATIONS

U.S. CONGRESSMAN ESTEBAN TORRES†

Good morning ladies and gentlemen. Welcome to the Latino Leaders Conference on the Implications of the North American Free Trade Agreement. I want to thank the Southwest Voter Research Institute and the other organizations for this opportunity to appear before you today to talk about the North American Free Trade Agreement (NAFTA).

Few U.S. initiatives have generated as much excitement and debate in the Latino community as the proposed NAFTA. As envisioned by President Bush, this agreement would create a free-trade zone stretching from Canada's Yukon region to Mexico's Yucatán. Indeed, a NAFTA will lead to the elimination of trade barriers, increased investment, and will signify one of the most important economic integrations of the 20th century. Such an agreement is expected to generate six trillion dollars in products, goods and services, and will affect more than 350 million consumers.

I want to make it absolutely clear that my dreams are for a trade agreement that benefits both sides. Yet, as negotiations continue, it is all together unclear whether a NAFTA will result in a North American *Fair* Trade Agreement.

I am the son of an immigrant copper miner. My father moved from the mining fields of Sonora to Arizona in the late 1920's. My mother was a Work Progress Administration worker during the Great Depression. I am proud of my Mexican heritage and I yearn for economic justice for the working people of Mexico, and for the American worker as well.

† Congressman Esteban Torres presented this speech on October 12, 1991, at the Latino Leader's Conference in Los Angeles, California. The Conference was sponsored by the Southwest Voter Research Institute.

It is clear that the United States wants an agreement with Mexico that will strengthen the relationship between our two nations. All parties involved want an agreement that will open the door to understanding between our two cultures. It remains to be seen whether my aspirations for both sides can be realized.

Mexico and the United States share a border 2,000 miles long. It is one of the longest in the world. Our proximity has led to the flow of goods, services, and people for decades. In fact, commercial ties between our two countries predate the Mexican Revolution of 1910. Most recently, in 1990, bilateral trade between the United States and Mexico was worth sixty billion dollars, making Mexico our third largest trading partner behind Canada and Japan.

With sixty billion dollars in commerce flowing between the two countries as recently as 1990, some may wonder why the United States and Mexico are attempting to come to accord on an unprecedented free trade agreement. The merging of two countries with such disparate economies has never been attempted.

Yet, the Bush Administration argues that increased foreign investment under a NAFTA will lead to a higher standard of living for U.S. workers. The Administration also claims that it will lead to better working conditions in Mexico, and increased demand for American products. However, foreign investment in Mexico to date has not led to an increased standard of living or better working conditions. Mexican wages have not increased with productivity. While Mexican workers working in foreign-owned factories in Mexico are as productive as workers in the United States, they are still only earning wages equal to, or less than, their counterparts in Mexico (those Mexican workers employed in Mexican-owned factories). These Mexican workers in foreign industries have not benefitted to the extent promised, and their wages are only a fraction of what U.S. workers earn.

In addition, the Bush Administration concedes that Mexican environmental laws are not fully enforced. However, the same Administration argues that increased economic development will eventually lead to more effective enforcement. In other words, the Administration believes that the U.S. and Mexico can have successful economic development first and worry about cleaning up the environmental mess later. This approach could exacerbate the environmental problems at the U.S.-Mexico border and in Mexico proper. Moreover, lax environmental policies in Mexico have led many U.S.-owned companies to relocate south of the border in order to escape strict U.S. environmental laws.

As an example, take a recent study by the General Accounting Office (GAO). The GAO documented a large loss of employment in the Los Angeles furniture industry as companies moved south to

border towns like Tijuana. The study indicated that seventy-eight percent of the companies moved to Mexico to take advantage of "weaker" environmental laws. In addition, the GAO also found that eighty-three percent of the furniture manufacturers who moved to Mexico cited "lower wages" as a reason for their move.

What the GAO documented was a hemorrhaging of jobs from the United States to Mexico. For the most part, this job loss was due to wage differentials as well as the perceived non-enforcement of environmental protection laws. Whether or not the pattern of job loss due to wage differentials or the enforcement of existing environmental laws will continue under the NAFTA remains to be seen.

To reiterate my opening point, all of us have a responsibility to ensure that the final agreement is a *Fair* Trade Agreement. Our responsibility will be to ensure that we, the United States, will not lose jobs due to low wages or environmental laws that are not enforced.

In his May 1, 1991, letter to the U.S. Congress, President Bush signaled his willingness to work with lawmakers to provide Worker Adjustment Assistance to those workers terminated as a result of a NAFTA. In this same letter, the President outlined his Administration's commitment to cooperate with Mexico on the environmental issues. The President also mentioned his intention of seeking "strong rules of origin that would prevent products originating in third countries from using Mexico as a pass-through for duty-free entry to the U.S. market."

To assure that the commitment made by the Bush Administration is realized, we must monitor the negotiations as they unfold. Our desire for a *Fair*, Free Trade Agreement calls for no less from us. Although President Bush pledged to address many of the environmental issues raised by both environmentalists and members of Congress, the Administration's progress on environmental issues under the NAFTA has been less than satisfactory.

Allow me to give you an example: last year, the United States blocked imports of yellowfin tuna from Mexico as punishment for Mexican fishermen's use of fishing techniques that kill many dolphins. Mexico lodged a complaint about the embargo to an international panel of the General Agreement on Tariff and Trade (GATT). In the complaint, Mexico cited that the embargo was an unfair trade barrier. Just last month, the GATT panel upheld Mexico's complaint and issued a ruling calling for changes in U.S. fishing laws. In a compromise, Mexico agreed to defer further action on the GATT ruling, provided that U.S. officials lobby Congress for changes to the dolphin protection law under the 1987 Marine Mammal Protection Act. This compromise, the repeal of a domestic

consumer and environmental law because of its conflict with an international trade agreement, is a worst-case scenario come true.

But the Mexican Government has shown that environmental issues are still of concern to Mexico. President Carlos Salinas de Gortari of Mexico, much to his credit, announced a comprehensive plan to protect the yellowfin dolphin. In a ten point plan, the Mexican Government pledged that, beginning this December, "no Mexican tuna boat will be able to fish without an internationally trained and certified observer on board who ensures that all dolphin protection measures are taken." Unfortunately, what isn't said in this plan is that "the observers are not required to limit the dolphin deaths," only to count them.

Yet, despite Mexico's cooperation in the "dolphin dispute," the Bush Administration intends to "harmonize", that is, to lower U.S. environmental standards and laws to conform with Mexico's laws. The Bush Administration's desire to "harmonize" U.S. environmental laws to conform to those of the international community runs counter to the goals of environmentally concerned Americans who want to strengthen, not weaken, our environmental laws.

Furthermore, I am also concerned with the impact that the agreement might have in another area — the small business sector. As an advocate of the small business community, one of the fastest growing sectors in our economy, I am opposed to the practice of an international trade panel ruling on small business set-asides. In a 1991 report, the Commission on the European Communities sent a list of U.S. trade barriers that it would not accept. The list included the federal procurement to small and disadvantaged businesses. The European Community wanted more than the elimination of trade barriers, it wanted to reduce U.S. procurement services to small and disadvantaged businesses. The European Community claims the procurement is an impediment to free trade.

I pose to you these questions: Why should we allow our domestic consumer and environmental laws on pesticide content, sea mammal protection, air quality, ozone protection, or small business procurement be negotiated away by an international panel? Are our domestic laws perceived as unfair barriers to trade?

A further note on the environment: last August, the Bush Administration released its draft plan to improve the quality of the environment along the U.S.-Mexico border. The Integrated Border Environmental Plan, as developed by the Environmental Protection Agency (EPA) and Mexico's Secretaria de Desarrollo Urbano y Ecologico (SEDUE), EPA's counterpart in Mexico, is the cornerstone of the administration's environmental plan for the border. Yet, the Administration lacks the funds to implement the plan.

Many of you know that I have addressed the issue of "Rules of

Origin" in the past. Rules of Origin are used to determine which goods or products will move duty free between countries that are parties to an agreement. In essence, Rules of Origin are a negotiated percentage of either labor, raw materials, or assembled parts for each product originating from the signatory countries. But you may not know that Rules of Origin are a contentious issue in the NAFTA negotiations. Rules of Origin may well determine whether or not jobs are lost, kept, or gained in the United States.

Rules of Origin establishing sixty to sixty-five percent of North American goods etc., moving duty free between countries would not only save and create jobs, but would also prevent other countries from dumping their products into our market.

Under the current NAFTA negotiations, we are witnessing a disturbing trend - our U.S. negotiators are brushing aside the call for "strong rules of origin" and are seeking a change in tariff classification. Simply put, changing a product's classification will mean that high content rules will be brushed aside.

As a Congressman, and an active citizen, I am opposed to our U.S. negotiators calling for a change in tariff classification while foregoing strong rules of origin.

Another issue I would like to address today, is that of the Worker Adjustment Assistance promised by President Bush. The President, in his May 1 letter to Congress, promised to work with lawmakers to adequately fund a Worker Adjustment Assistance program for those workers displaced by a NAFTA.

Yet, on October 9, Congress sent a bill to the President extending unemployment benefits for the 8 million jobless American workers. By all accounts, our President will veto this legislation.

If the President vetoes this legislation, as he is expected to do, it will not be a reassuring sign to Congress that this Administration is truly sincere in providing assistance to workers who may be terminated as a result of the NAFTA.

The Bush Administration has a pattern of being anti-worker. For example, the President has proposed the elimination of the Trade Adjustment Assistance Act, a program which provides training for workers dislocated by foreign competition. The President's justification for eliminating the Trade Adjustment Assistance Act was due to "budget constraints." It is the same-old-song: "the well being of the economy comes before the American worker."

So, in the long run, will there be more or less jobs with the Free Trade Agreement? The truth is that we don't know.

We do know, however, that tens of thousands of hard-working Americans have already lost their jobs as U.S. companies have moved their production to Mexico. Today there are over 1,800 United States production plants employing close to 500,000 workers

in Mexico. These are jobs that are no longer available to workers in the United States. Joblessness is a reality for millions of Americans. This summer I had the opportunity to travel to Mexico. While in Mexico, I visited a packaging food plant in Irapuato. This plant was new, clean, neatly organized, and the employees all wore company uniforms. The plant is known as "Gigante Verde." This plant was relocated from Watsonville, California, where workers earned between \$7.50 and \$12.00 an hour. "Gigante Verde," Mexico's version of Pillsbury's Green Giant, now in Irapuato, pays its workers \$3.70 a day!

Is plant relocation an occurrence that will increase under a NAFTA? I'm not here to speculate on whether that will occur or not. However, I will say, as our economies merge, low-skilled workers from the U.S. will compete for the same jobs with low-skilled workers from Mexico.

Some in the audience may retort by saying: "if these jobs do not go to Mexico, then they will be lost to workers in Asia." My answer to that is simply, "No." Mexico has always been the preferred location for U.S. manufacturers for the following reasons: its close proximity to the United States; the low transportation costs; the abundant pool of cheap labor that it offers; and, its highly developed maquiladora industry. There is no reason to believe that this would change with a Free Trade Agreement.

In conclusion, I would like to leave you with some sobering thoughts. U.S. foreign policy towards Mexico, and the rest of Latin America for the 1990's, will be characterized by trade and not aid. However, the trade agreements that the United States will negotiate with other countries in the Western hemisphere will depend largely on the final outcome of the NAFTA.

Another factor that will shape this decade of trade will be the role that Congress and the American public will play. During the much publicized debate over extending fast track authority to negotiate the Mexico trade agreement, Congress and the public became acutely aware of the stakes involved in such an agreement. Issues of environmental protection, consumer health and safety laws, human rights abuses, wage disparities, and job loss became central to an international trade agreement.

While many economists argue whether these social issues will have a bearing on a free trade agreement, Mexico's close proximity, its low wages, its poverty, its human rights abuses, environmental degradation, and its steady stream of immigrants unavoidably will shape the debate.

How these social issues will be dealt with in the NAFTA will determine the amount of Congressional support the agreement will receive. If the NAFTA comes before Congress and is not a *Fair*

Agreement, the consequences could be troublesome. The consequences of an unsatisfactory NAFTA could spell trouble for our relations with Mexico, and jeopardize pending and future agreements between the United States and our Latin American neighbors.

If we are to have a successful and *Fair* NAFTA, then we must all work together to ensure that the Bush Administration does not forfeit the hard-fought-for standards in environmental protection, worker health and safety, minimum wage levels, worker retirement benefits, and the right to freely and collectively bargain with representation by unions of the worker's choice.

This is not being antagonistic to free trade. I am for free trade with Mexico and Latin America. However, I am for *Fair* trade with our neighbors to the south.

I would like to thank Southwest Voter Research Institute for this opportunity to share my views on the North American Free Trade Agreement.