

MEMORANDUM
APRIL 9, 1991

TO: Nina Oviedo
FROM: Cotter Brown
SUBJECT: Center for Strategic & International Studies
"Will free trade with Mexico hurt or help U.S. Labor?
wages and adjustment mechanisms"

The Center for Strategic & International Studies held an open and frank debate concerning the Mexico Free Trade Agreement on April 9, 1991. The focus of the meeting was on the FTA's impact on labor, specifically wages and adjustment mechanisms.

The first speaker was Professor Clopper Almon, of the University of Maryland. He stated when Mexico cut tariffs there was a rise in U.S. exports from \$12 billion in 1986 to \$28 billion by 1990. Imports from Mexico also increased \$13 billion, which proves Mexicans are eager to buy U.S. goods and that our export growth was higher than our import growth. The FTA's result in jobs over a five year period will be a net increase of 48,000 jobs. There will be a loss of 6,000 jobs in apparel, but a net gain of 54,000 jobs elsewhere. The FTA would result in a trade of low wage jobs for higher wage jobs. FTA is good for labor and industry, and the environment. The Mexican's can not afford to be environmentally responsible, but if the FTA came into working there would be more money to invest in the environment. His reasoning is that Fast Track makes the Mexicans realize they need to satisfy Congress or be turned down. There are no guarantees that Mexico will spend the increase in revenue on the environment.

Howard Rosen of the Institute of International Economics spoke on adjustment mechanisms. Rosen said with the FTA there are four points that need to be addressed regarding adjustment mechanisms. His first point is that the U.S. has embarrassingly small programs and benefits that act as safety nets for those workers displaced. Secondly, the gains from the FTA are net gain, this means there are going to be winners and losers. Thirdly, socially, politically and economically these losers must be dealt with. Lastly, the question arises how do we deal with the losers. He stressed the problem of identifying who is hurt as a result of the FTA. He touched on eligibility coverage, the benefit package and financing questions. He saw financing coming from user fees, saying that its not the time to expand government programs. Those who benefit from the FTA, should help pay for those who lose. Import fees, ear marking of tariff revenues, and the use of tariff revenues to fund adjustment, were given as financing suggestions. Rosen would like to see the American consumer made aware of the consequences of purchasing Mexican products if they support environmental pollution.

Representative Bill Richardson (D-NM), states he has a 90% voting rate for labor and environment issues. He is strongly in favor of the FTA, and is suspicious that the Canadian Free Trade Agreement didn't get this much scrutiny, hinting toward American views about Mexican heritage. A FTA would give the U.S. a stable source of oil/petroleum, revitalize industries and stem the undocumented workers from coming into the United States. Richardson said, he did not think the Bush Administration had handled the situation right. Regarding the environmental issue, he sighted where the government of Mexico closed down an oil refinery in Mexico City because of environmental hazards. Mexico's President wants to work with us on drug interdiction and environmental problems, what Mexico needs is more capital, which a FTA would bring in. Richardson also pushed for a special negotiator for the Mexico Free Trade Agreement.