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Congressional Approval of NAFTA

WILLIAM B. RICHARDSON*

I am for the North American Free Trade Agreement (“NAFTA”). I was the Democratic whip in charge of rounding up votes on the Republican and Democratic side. I do not want to see President Bush get re-elected. I was chairman of the Dukakis campaign nationally. But, Bush is right about NAFTA. If you look at this debate, there are basically four positions, and you probably heard them here today expressed in academic, substantive terms.

First, there are the rah rah free traders—Business Round Table, perhaps some people in the Commerce Department; let us have free trade with Mexico at all costs.

Position No. 2: There are those who think free trade is good, want fair trade but are concerned that an agreement like this is going to hurt both in terms of the environment and perhaps job displacement. Basically they want to link a free trade agreement to sound policies on the environment and sound policies to ensure that we don’t have massive job displacement in this country. I would call those people the constructive linkages.

Position No. 3: There are those who basically oppose the free trade agreement, but use the jobs issue to mask their total opposition.

The fourth position is from those, who, for ideological or political reasons — the Patrick Buchanans, the Cuauhtémoc Cárdenases — are just against it. No matter what you are going to do, they are going to be against it. Those are the four positions.

I was asked to speak on NAFTA, and if the vote were held soon this year, what the Congress would do. I am going to give you three answers. First, if the vote were held tomorrow, in the House of Rep-

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representatives we would win by about eight to ten votes, a very, very, narrow victory. Since the fast track vote last year, where we won basically by twenty-six votes, erosion has occurred because there is a perception in the Congress that President Bush has not fulfilled his pledges on making sure that we are environmentally protected on the border, that worker protection exists, and that we do something about border infrastructure. That is why that erosion has occurred.

If the vote is held some time this fall in the heat of an American presidential election, what would my prediction be? Right now, I think it could probably go either way but I would opt for a victory by three to five votes. Why do I say a vote some time in the fall? Because physically the negotiators right now are in the throes of concluding an agreement. There are still some substantial differences in the energy area, in the banking services area, and in what is called rules of origin, and also when this agreement is going to trigger. Are you going to have free trade immediately or are you going to have areas within five to ten years where there is a transition? Some of the Mexicans want to wait a little time instead of triggering immediately.

Most importantly, there are these side areas of the environment and jobs. And I will say to you right now, even though everyone is down on the Congress, that the Congress has done a good job in bringing these issues into negotiation. When have we had a free trade agreement negotiated in this country or debated in the Congress, whether it is Canada, Israel or any other, where the environment has been an integral part of the negotiations? Where have we used the environment to get votes in the Congress to put pressure on both countries to deal with important issues, that are not just commercial in nature? I believe a positive role has been played by the Congress as we move toward this vote. If all agreements and all issues are negotiated and completed, April 15 is probably D-Day if there is going to be a vote this calendar year, because of our trade laws which basically say that the Ways and Means Committee and the Finance Committees have to look at the agreement for a period of about six months. This would bring the vote some time in September or October in a very highly political, heated atmosphere where you know the jobs issue is resonating. Where candidates, such as Patrick Buchanan and Harris Woford in Pennsylvania, who are talking about job losses at home, are scoring political points because we have a recession, because our economy is hurting. I would predict that the vote would be very narrow, but we would win after some positive initiatives by Con-

gress ensuring that the environment and other issues relating to worker retraining, torts, adjustments assistance for potential job losses, are taken care of. That is my prediction.

The third prediction is that the vote on NAFTA will be put off. The easy political thing to do is to put the vote off. We have enough votes. I will be filing in Congress on Tuesday for re-election and I now have four opponents already. It is going to be a political year. Because of Congress being under attack, I would like to use most of this year to campaign, to raise money, to get myself re-elected. As a generic member of Congress, I would prefer a vote not occur. However, I think you know my own advice. I want this vote this year, and I will explain why shortly.

If the vote is put off, what will happen? Assume that George Bush is re-elected. I assume that if it comes up in 1993, in one of his first initiatives, it most likely will pass, probably with a comfortable margin of twenty to thirty votes. I do not think George Bush is going to be re-elected and I am going to make every effort to ensure he is not. However, if a Democrat is elected, what would happen? If you look at the results of the primaries, four out of the five candidates are free traders and have said they support the United States-Mexico Free Trade Agreement. Bill Clinton of Arkansas supports it. Bob Kerrey of Nebraska voted for fast track in the Senate. Jerry Brown has said he supports it, and the fourth candidate, Paul Tsongas, is very much for it. So basically, within the Democratic party, you have some changes. The reform side of the Democratic party is recognizing the importance of free trade. I am one of those free traders, but it is still a minority within my party. Ninety-one out of two hundred and forty Democrats supported fast track with Mexico, the rest were against it. The majority of the Republicans support it. My prediction is that if a Democrat is elected, because of the very strong support that organized labor gives to the Democratic party, as a gesture to organized labor, I do not believe that the Democratic nominee would push for a free trade agreement the first year of his administration. That is just a prediction. Perhaps the second year of a Democratic administration it would happen, but by that time Salinas is out, elections in Canada take place and the political situation would be very different.

If a free trade agreement is to pass in Congress, there are five essential ingredients it must contain. First, it obviously must be good for both countries. We have to narrow the differences. We have to recognize the national interests of both countries. So first, it must not

be an agreement that is badly drafted, that seems to be totally commercial in nature without the environmental and job safeguards that I mentioned. Many of us are pushing the negotiators to have specific environmental language. So far, the Mexican side has come forth with a good environmental plan costing \$460 million over three years. I think that Salinas has made a tangible effort but is tied by a lack of resources and a lack of enforcement. But I suspect that he has made an honest, positive effort.

The problem I have is with our side. The border plan announced by the Bush Administration is only \$260 million, on a plan that markedly deserves, by most academic experts, almost five times that amount. You are talking about money at a time when our country has a budget deficit. The Bush administration tries to convince environmentalists that it is serious about a free trade agreement, but it has not made the substantial financial commitment.

What is another key factor? It has to be a bipartisan vote. It cannot be a Republican initiative or Democrats will seize on it as something that the President is just pushing forth to get votes. We cannot look at this issue as totally in a bipartisan context because it is going to be difficult to convince a majority of Democrats in the House. But nonetheless, if the President goes ahead and says it is really something that involves the principles of the Democratic party, and the Democrats are all a bunch of protectionists, the vote will lose. So it has to be bipartisan, and the President has done that, at least in the first fast track vote.

There has to be a strong resonance in this agreement in key battleground states. What I am very specific about is that if this agreement resonates within Hispanic communities of several key battleground states, this agreement will pass. Specifically, New Mexico, Arizona, Texas, Florida and most importantly, California. California got the lowest number of House votes in the fast track vote, 65%. California is the largest state in the union in terms of political power. I will say that up front in terms of political chairmanships, substantive chairmanships, and in 1993, 30% of the House of Representatives will be from California, a key battleground state. If the Hispanic community recognizes that this is an important issue as an "Hispanic Issue," then I believe that will add substantial strength to the free trade vote. This has not happened yet but major strides are being made, both by the Salinas Administration courting the Hispanic vote and a number of initiatives to demonstrate that the Hispanic

community in the United States, especially in the border, could benefit from this agreement.

Why is it important, in my judgment, that this be achieved and that we have a free trade agreement? You are looking at a guy who has a 95% labor voting record over ten years in the Congress. You are looking at somebody who is rated by the League of Conservation Voters close to 90%. But, you are also talking to somebody that pretty much has made up his mind that this agreement is good for the mutual interest of the United States and our hemisphere. We can both improve ourselves economically but also do something about some of these issues like the environment. First of all, we have some economic problems in this country. I believe that what is critical to our economy is we have to increase our exports. Our trade balance, our trade deficit, is enormous. Mexico is an excellent customer; eighty-five cents of every dollar of what they purchase is American. This is an important component in our future economic gross strategy. You know in the Congress we are talking about middle class tax relief. We are going to put \$500 in your pocket and allow IRA so that you can buy a home or a car. This is short term stuff; to really improve our economy we have to have some fundamental shifts in our export policy and I think if you look at the future of the world, you're looking at international competitors, economic issues being the key battleground.

If we do not conclude NAFTA with Mexico, what are the rest of the countries in Latin America going to say? Chile wants a free trade agreement. The Caribbean countries that have trade preferences want to come into a free trade structure. The country of Argentina wants to go forward. Central America as a bloc wants to start negotiating. Mexico and Chile already have a free trade agreement with each other. What will we tell Latin American countries that have over the years have said "Look, we don't want anymore aid, just give us access to your markets."

The world is moving into trading blocs. International competitiveness is going to be the main goal of the United States' foreign policy. Conflicts are not going to be military in nature; although we will still have security threats of a different nature, they are going to be economic. Japan and other Pacific Rim countries met in Singapore last month to form a trade bloc. In 1992, Europe has moved ahead. I think it is important for us to have that trade bloc, not to be protectionist, but to promote the concepts of free international trade, mechanisms to bring the international trading system, and the GATT talks

into successful conclusion. They are not going too well, but it makes political sense for the markets of Canada, Mexico and the United States, 360 million consumers, to band together. President Salinas, a reformer, is the first president in Mexico in years that has said "It's in my political interest to have better relations with the United States." He has been courageous in doing something about the environment, inflation, and the standard of living. He has faults like any leader but he is one of the more dynamic, progressive leaders in the hemisphere. He has invested a lot of chips in his relationship with the United States, so, if we do not proceed with an agreement, it will be a slap at him. A slap which I think would cause him political problems. Do we deal with our international policy based on the election timetable in our country? Sure, it is easier to take the vote next year. But I think Salinas has demonstrated politically that he considers it important for this vote to be this year.

Lastly, are we not really doing this free trade agreement to reward a good neighbor? Is NAFTA in the national interests of the United States? I think it is in our national interests for the reasons that I gave you. It is important for the American public to recognize the importance of trade liberalization. We do have other objectives in our relationship with Mexico, such as better economic policy or jobs which will mean less immigration to the United States. Also, Mexico now stands as this country's third largest export market for American goods. United States exports to Mexico reached \$28 billion, which translates into 550,000 jobs in the American economy. We are having fights with Japan and Europe over agriculture and autos. We do not have those kinds of problems with Mexico. They buy our products. They like us and I think it is important that this kind of trade relationship be solidified. More than two thirds of Mexico's imports come from the United States. The 4% growth that Mexico achieved in 1990 means a \$1.2 billion increase in American exports. Every additional percentage point increase in Mexico's economy is going to result in roughly \$300 million more in new American exports.

You heard the pros and cons on this issue, but there is an undeniable political element. The easy thing to do would be to say: "Let's just wait." The easy thing to do would be to say: "Let's see how these environmental initiatives that we have tried to pursue result in something, and then if they result in something we can support the NAFTA." The problem is politically that can not happen and it is not good policy. The fundamental reason why is because if you want to do something about pollution and clean air, and you want to do

something about improving Mexico's environment, and you want to do something about our environment, this agreement is good. Passing a free trade agreement, which links free trade with very strong environmental language is good. Allowing me and the other environmental members of Congress who are free traders to increase this measly \$246 million initiative for this fiscal year into something substantial, to develop a joint plan with environmentalists in Mexico's EPA and the United States EPA, is good. A Mexico that can deal with the environment and with poverty in that country is only going to come if Mexico is more prosperous. Mexico will be more prosperous if they get NAFTA. You cannot put the cart before the horse and say "Well, let's have a trial period."

This is an important issue. The world is going to be looking at the issues of environmental linkages, economic linkages and free trade. Those are going to be the battle grounds of today.

Okay, I gave the scenario of 1993. I gave you a scenario where the vote would take place in 1992 but in the fall of this year when it is most likely going to take place, and I gave you the scenario of the vote taking place tomorrow and that is what I am going to do to you. Assume that you are all members of Congress. You are all active. You are from the biggest state, the swing state. California is going to be the swing state and I am going to ask you to vote, and I am not going to give you any amendments or any contingencies. It is going to be a straight up and down vote based on your gut feeling on how you feel about this issue. This is how the vote is going to be, because that is the way I will end up voting. When you have a free trade agreement, you do not necessarily have a number of amendments that can be offered. Everything has to be negotiated ahead of time and if there are side agreements they are stated publicly but they come on a separate vote. Okay, the vote is this. If the Congress were to vote on a free trade agreement with Mexico, how would you vote? Yes or no. Dean McLaughlin will you help me count? If the vote in the Congress of the United States were held tomorrow and you know everything that you have heard at this conference, how many would vote yes?

So we have 14 yeses.

How many would vote no?

27 - no.

How many are undecided?

3.

