

THE NAFTA AND THE NATIONAL INTEREST:

A Progressive Case for Trade Expansion by Paula Stern

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INTRODUCTION

Two competing views of America's economic future frame the heated debate over the North American Free Trade Agreement (NAFTA). One is optimistic and open. The other is fearful, xenophobic, and closed. The fears of many sincere people regarding the NAFTA reflect an underlying insecurity about the nation's economic future -- about the capacity of American workers to compete in a rapidly changing world economy at a time when our nation's security depends as much on its economic strength as military might. Americans are being forced to confront this change at a bewildering pace and on the heels of a prolonged period of economic stagnation. This has exacerbated a general sense of insecurity and revived a protectionist sentiment which has recurred periodically throughout American history. In the face of change, many Americans would like to believe that they can throw up economic defenses and ignore the world beyond our borders.

These circumstances pose a direct challenge to the Clinton Administration and to the nation, as the issues raised by the NAFTA reach well beyond the actual terms or potential consequences of the agreement. The NAFTA itself will not be a panacea for America's economic problems; neither will it be a millstone that drags the economy down. Rather, the real debate is about America's attitude toward the rules of economic engagement in the new world order. The challenge for the Clinton Administration is to restore America's confidence in itself and in our ability to prosper in a profoundly competitive world. The NAFTA is a test case for how America faces its economic future.

The fears of many Americans center on the potential flow of U.S. jobs to developing countries and our own perceived competitive disadvantages relative to the economic powerhouses of Europe and Japan.¹ Although America continues to lead in productivity, in per capita consumption, and in overall wealth, the public is keenly aware that for the last 15 years personal income growth for middle- and lower-income Americans has stagnated. Moreover, for a generation U.S. net investment, productivity, and overall growth have increased at rates that lag behind those of the prior generation and, in many instances, those of our foreign competitors. While opportunities for highly skilled and educated Americans have expanded, the prospects for those with fewer skills or less education have become bleak. The transformation of the world economy has hit the neediest sectors of the U.S. hardest, and little effort has been made to ameliorate that situation. Indeed, from 1977 to 1989 the bottom 20 percent of the population saw their real incomes decline, while only the top 20 percent saw a significant increase.²

The NAFTA cannot reverse this disturbing trend. But trade expansion, as President Clinton has noted, is an integral part of a comprehensive economic strategy for restoring U.S. growth and

competitiveness in global markets. Such a strategy must also include improving the education and training of the U.S. work force, rebuilding America's economic infrastructure, reducing the crippling budget deficit, and eliminating anti-competitive subsidies for special interests.

Notwithstanding the fear-mongering rhetoric of the NAFTA's opponents, there are at least four compelling reasons for Americans to rally behind the President's far-sighted policy of trade expansion:

* First, the United States already has gained jobs through expanded trade with Mexico. The NAFTA will further that trend. Since 1987, when Mexico began to open its economy to foreign trade and investment, U.S. exports to Mexico have tripled, creating 400,000 new U.S. jobs.³ More fundamentally, trade is not a zero sum game. When practiced under fair and reciprocal rules, it increases economic efficiency and lifts incomes in both countries. Europe, for instance, has prospered within the context of an expanding common market that has steadily eliminated barriers to trade within the bloc and at the same time embraced a less developed country such as Portugal. The more trade between Mexico and the United States, the richer Mexicans will become, and the more they can buy from the U.S.

* Second, the NAFTA is integral to America's larger strategy of trade expansion and liberalization. Indeed, U.S. rejection of the NAFTA could set back our efforts to break the impasse on the General Agreement on Tariffs and Trade (GATT) and to press Japan and our European trading partners to lift restrictions on U.S. trade and investment. It would call into question the credibility of U.S. economic leadership and its tradition of championing open markets and unrestricted commerce since World War II. If the United States -- for all its problems, still the world's leading economic power -- pursues a narrow, protectionist path, others are sure to follow. If the global trading system comes crashing down, job losses in the U.S. will dwarf the worst scenarios cast by the NAFTA's critics.

* Third, America's domestic economic renewal is inextricably linked to export expansion. Exports accounted for about 44 percent of economic growth from 1987 to 1992, significantly softening the impact of our own recession.⁴ Today, although exports to developed country markets are suffering, developing country markets are booming. In particular, sales to Latin America -- the bulk of which are to Mexico -- are expanding almost three times as fast as U.S. exports to the rest of the world. Continued export growth is critical for growing jobs at home. Exports generated nearly all of America's new manufacturing jobs from 1987 to 1992, and in 1990 these exports provided a record 7.2 million jobs for American workers or an estimated 7.4 percent of total U.S. civilian jobs and 17.4 percent of the total jobs in the U.S. manufacturing sector.⁵ In other words, exports support more than one in six manufacturing jobs. The deflationary exercise of reducing the U.S. budget deficit makes it all the more important that we look to markets abroad to gain growth and jobs at home.

* Fourth, the NAFTA is crucial to better hemispheric relations. A vote for NAFTA is a vote of confidence in Mexico's future. Passing the NAFTA will help Mexico consolidate its historic progress toward economic and political reforms; rejecting it will signal a U.S. shift toward a "beggar-thy-neighbor" attitude toward Mexico and, by extension, the rest of Latin America.

Surely, most Americans would prefer to live beside a more prosperous, stable, and friendly Mexico rather than an impoverished, volatile, and resentful Mexico whose citizens flee north for opportunities they cannot find at home. At the very least, we must repudiate the ugly undercurrent of nativism and prejudice that has accompanied the assault on the agreement. The debate over the NAFTA brings Americans to a crossroads in the post Cold War era. One path --President Clinton's choice -- leads to the progressive opening of world markets to trade and investment, on the view that America can and must win in global competition to generate good jobs and rising incomes at home. The other path -- urged on Americans by an unlikely alliance of "America First" conservatives, special interest groups, and Ross Perot -- leads to single reliance on protection for U.S. industries on the assumption that we cannot, for all our strengths, compete against the cheap labor of developing countries or even developed nations like Japan.

Progressives should follow President Clinton on the first path -- the path of confidence about Americans' ability to face and master change. Fears of cheap-labor nations are grossly exaggerated. If low labor costs were all that mattered, advanced countries' industries would have decamped long ago for the Third World. Other factors -- education, technology, transportation and other infrastructure, entrepreneurship, political competence and stability and, above all, worker productivity -- give America a decisive competitive advantage over Mexico and most other countries.

What unites the anti-NAFTA forces is a "can't win" attitude toward a world that still relies on U.S. economic leadership. For the sake of preserving specific jobs in specific industries, this new economic isolationism would deny all Americans the manifold benefits of unrestricted commerce; better and cheaper products, more rapid technological advance, access to global capital, and wider markets for our goods and services.

The battle over the NAFTA thus presents a key political test for the Democratic Party. Support for free trade constitutes one of the party's most venerable and progressive principles. Democrats have long maintained that open trading favors the interests of average working families, while tariffs and trade protection favor narrow business and financial interests.

Today, however, organized labor and other party constituency groups are demanding that Democrats junk that principle and instead seek to protect specific jobs rather than the interests of American workers in general. Many congressional Democrats understandably find it difficult to resist such demands by loyal constituents. Yet with Democrats now in control of both the White House and Congress, the party's challenge is to demonstrate its capacity to govern in the nation's interests rather than legislate on behalf of narrow interests.

While rejecting protectionism, progressives also should spurn conservative free-trade orthodoxy. The Republican Party's "laissez-faire" trade policies of the last decade lost credibility by appearing to ignore the often jarring impact of global competition on American workers and communities. Indeed, the conventional economic doctrines of both the Left and the Right are obsolete in a global economy increasingly based on information technology and knowledge-intensive industries.

Now is the time for a new synthesis on trade policy, one that takes into account the plight of working Americans buffeted by sudden shifts in global patterns of investment and production as well as the opportunities created by open global trade. Trade expansion must work within a broader economic strategy that builds new sources of security for U.S. workers to replace those dissolving under the pressure of global competition. As Doug Ross, Assistant Secretary of Labor for Employment and Training, has noted:

"The rate of change in most globally contested markets has enhanced the competitive advantage of innovation and flexibility, tipping the competitive balance in a growing number of markets like computers and biotechnology against large corporate bureaucracies and in favor of smaller, more entrepreneurial firms. These agile smaller companies have succeeded in creating enough new jobs in the aggregate to replace lost corporate jobs. But they do not offer the same security."⁶

The reality is that the U.S. economy operates in a world filled with dynamic competitors. America cannot afford to step back while the rest of the world races ahead. Rather than seeking to preserve particular jobs, we must forge a new compact with American workers that offers new sources of opportunity and security for an era of global competition. Such a compact should include creation of a school-based youth apprenticeship system to raise skills among non-college bound youth, establishment of an Employment Insurance System to help workers whose economic security is threatened purchase career education and skills; substantial increases in the level of private investment in worker skill-training; and support for profit sharing, pay for performance, employee participation and ownership, and other means to create more flexible and democratic workplaces.⁷ While opening markets and removing barriers to the flow of goods and services across borders, this nation must equip itself to assure that the average family benefits from the opportunities of trade and the imperatives of competition. Thus, as Congress debates the NAFTA, it should also have before it specific plans for revitalizing public and private investment to ensure that U.S. workers and firms can draw on the best productive resources in the world. As PPI's Robert J. Shapiro and Doug Ross have written, "Without world-class work force skills, modern plant and equipment, advanced technology, and state-of-the-art infrastructure, the men and women who create our goods and services cannot compete in a global economy."⁸ The success of the Clinton Administration will be measured largely by its ability to make America more competitive, both at home and abroad. At the same time, opportunities must expand for all Americans, especially those with lower skill and education levels. To do so, our leaders must convince the American public that the benefits of competing in the global economy far outweigh the costs. The NAFTA, therefore, is a crucial test of America's resolve to face the future and of the Clinton Administration's ability to lead America beyond its fears to a new era of growth and economic leadership.

TRADE CREATES JOBS -- AND MISUNDERSTANDING

American ambivalence about the benefits of trade runs deep. A major television network's exit poll in 1992, for example, revealed that 43 percent of Americans believe trade with other countries creates more jobs, while 41 percent believe it leads to job losses in the U.S., and 11 percent believe it has no effect.⁹ This same skepticism extends to the NAFTA as well, with roughly equal

percentages of Americans favoring, opposing, or remaining undecided about the agreement. (See appendix.) In short, many American workers believe that the result of trade agreements is job and income loss. The truth, however, is much different.

The importance of trade in the U.S. economy has increased dramatically in recent years. The result has been a marked improvement in the efficiency of the U.S. economy as it has adjusted to increased competition both at home and abroad. Exports have become an increasingly important source of jobs and income growth in the United States. During the last half of the 1980s, exports were the driving force of the U.S. ECONOMY, and during the recent recession they sharply limited job losses. Exports contributed 25 percent of the growth in U.S. private industry jobs between 1986 and 1990.¹⁰ More importantly, exports contributed almost all of the job growth in manufacturing industries, nearly offsetting the overall manufacturing job losses in the U.S. economic slowdown through 1991.¹¹

What's more, jobs supported by exports are, on average, higher-wage jobs. According to a recent study by the Office of the United States Trade Representative (USTR), workers employed in export-related jobs make 17 percent more than the average U.S. worker.¹² Wages for manufacturing workers in export-related jobs averaged about 10 percent higher than the national average. A strong wage advantage for export-related service workers is particularly encouraging because most of the recent job growth in the U.S. economy has been in the service sector.¹³

A related study concluded that wages in import-sensitive industries are substantially lower -- about 16 percent -- than the national average. Export-intensive industries in the United States employ more skilled workers and do more research and development than import-sensitive industries. The implication for the United States, therefore, is that promoting trade and increasing exports will tend to raise welfare by moving workers from lower- to higher-wage industries.¹⁴

The fact is that the U.S. economy has already undergone some of the most important parts of the transformation that many Americans fear, and the overall effect has been positive. The economic difficulties of the last three years -- and indeed of the last two decades -- have clouded this reality. Trade is wrongly blamed as a key source of America's economic ills. For example, the popular belief that trade is responsible for the deteriorating wage levels of our manufacturing workers was disputed by Lawrence Katz (before he became Chief Economist at the U.S. Labor Department). His study found that in the 1980s imports were responsible for, at most, 1.5 percentage points of the 12 percent differential wage loss experienced by low-skilled U.S. workers.¹

5 The transformation of the U.S. economy reflects the reorganization of economic life, in which most major corporations operate throughout the world and most major U.S. companies depend on foreign supplies, materials, markets, and labor to stay competitive. Even companies that mostly operate domestically are not immune from the pressures -- or opportunities -- of the world economy. Great benefit can be derived from the globalization of the U.S. economy, as demonstrated by our vibrant exporting companies and industries. The task, therefore, should be to prepare American industry and labor to compete and prosper in a new world.

AN UNPRECEDENTED OPPORTUNITY FOR U.S. BUSINESS AND WORKERS

If exports create the kind of jobs that are good for American workers, the NAFTA will continue a process that is already creating hundreds of thousands of such jobs in the United States. Indeed, it will solidify and further a process of economic transformation in Mexico that is already paying the United States huge dividends. Moreover, it will ensure that the United States retains its favored position as the prime beneficiary of Mexico's economic transformation.

Mexican President Carlos Salinas Gortari has accelerated a reform process begun under his predecessor, Miguel de la Madrid. This process amounts to a repudiation of past statist economic policies and a remarkable thaw in U.S.-Mexican relations. Until the mid-1980s, successive Mexican administrations pursued nationalist import substitution policies that sharply limited foreign investment and effectively shut out many U.S. exports with prohibitively high tariffs. With the onset of the debt crisis in 1982, Mexico was forced to recognize that its economic policies needed to be revamped. Subsidies and spending have since been slashed, restrictions on foreign investment lifted, and tariffs drastically reduced from an average of 29 percent to 10 percent. About four fifths of Mexico's 1,155 state-owned enterprises have been sold, merged, or closed. 16

The imposition of market discipline has brought great rewards to Mexico, not the least of which are tremendous efficiency gains for Mexican industry as the government has established a favorable business climate. An important reward has been a steady flow of foreign investment, which Mexico desperately needs to finance inputs (largely from the United States) which are essential to rebuilding and transforming its economy. Much of that foreign investment has come from the United States, and it has financed a massive boom in U.S. exports to Mexico.

Mexico's repudiation of its nationalist past has provided unprecedented opportunity for U.S. businesses and workers. U.S. exports to Mexico are up from \$28 billion in 1990 to \$43 billion in 1992, and the U.S. trade balance with Mexico has swung from a trade deficit to a surplus of more than \$5 billion. Mexico was the third largest market for U.S. exports in 1992, and it surpassed Japan to become the second largest for U.S. manufactured exports. These exports directly translate into jobs for Americans. The number of U.S. jobs supported by exports to Mexico has risen by more than 400,000 since the opening of its markets in 1986. Currently, over 700,000 U.S. jobs are supported by exports to this market.¹⁷ U.S. businesses are satisfying the lion's share of Mexico's burgeoning demand for imports because of their strong comparative advantage in capital goods -- such as earth moving equipment, computer hardware, and other industrial equipment. Higher living standards in Mexico translate into greater demand for U.S. consumer goods as well. In fact, United States enjoys a more favored trade status with Mexico, which purchases 70 percent of its imports from the United States, than any other country in the world. This figure has remained constant for the last few decades. As a result, every additional dollar spent by Mexican consumers on foreign products and services directly benefits the U.S. economy.

Passage of the NAFTA in effect guarantees the continuation and expansion of this strong U.S. position in the Mexican market. Its defeat, on the other hand, could mean that the favored place of the United States would be forfeited. The reforms instituted by Mexico over the past decade are likely to continue, albeit at a slower pace, even if the NAFTA is rejected by Congress. The

danger is not that Mexico will return to the ways of its economically interventionist past, but that the United States will benefit less from Mexico's continued liberalization without the NAFTA than with it. If the NAFTA is defeated in the United States, the benefit of Mexico's economic growth might well shift more to Asia or Europe and away from the United States.

NAFTA CONTINUES A PROCESS ALREADY UNDERWAY

At the same time, the importance of the NAFTA in locking in the reforms Mexico has already made and to continuing the process of liberalization should not be minimized. Indeed, the NAFTA is largely about liberalization of the Mexican market, giving it a level of openness already present in both the United States and Canada. The NAFTA involves a commitment by Mexico to the economic and trade liberalizations that the United States and Canada negotiated in 1988. The agreement also addresses issues that were left unresolved in the Free Trade Agreement between the United States and Canada, such as international property rights, transportation, and rules against local content and export performance requirements.

Under the agreement, tariffs and most non-tariff barriers would be phased out within 10 years, although a few import-sensitive products would have a longer transition period. Mexico has agreed to revamp its trade laws to make them more transparent, to accord national treatment to investors, and to open up many previously closed sectors, such as petrochemicals and financial services, to foreign investment. Land transportation and telecommunications services would be liberalized, and cross-border environmental issues would be tackled by a transnational commission that would ensure the integrity of each country's existing laws and promote their upward harmonization. Strict rules of origin have been established -- particularly for the textile and apparel industries and the automobile industry -- to ensure that Mexico would not be used as an export platform by third countries seeking to gain back-door access to the U.S. market. And the agreement -- even without the side agreement on import surges -- contains strong protections for U.S. industry and agriculture against import surges from Mexico.

Contrasted with the changes that the NAFTA will require of Mexico, the concessions made by the United States are limited. Mexico's access to the United States is already free of almost all barriers. Approximately 60 percent of goods imported from Mexico enter duty free. By contrast, Mexican tariffs remain 2.5 times higher than our average tariff of 4 percent. For example, U.S. tariffs on computers and computer parts are 3.9 percent and zero percent respectively. Mexican tariffs on the same products range from 10 percent to 20 percent. And the maquiladora, or in-bond system, has permitted U.S. companies to enjoy the benefits of low-cost labor in Mexico for over 25 years, allowing U.S. firms in turn to keep high-wage jobs in the United States rather than shifting all the work to other regions of the world such as Asia. In short, despite the exaggerated rhetoric of opponents to the agreement, the NAFTA reforms will impose few additional adjustment burdens on American working people.

Indeed, a successful conclusion to the NAFTA will benefit U.S. workers. As Mexico becomes more prosperous, U.S. jobs will continue to be created through exports. The overwhelming majority of reputable economic studies have concluded that the NAFTA will lead to modest net job creation in the United States.¹⁸ However, the most important gains from the NAFTA will be

the long-term gains in incomes due to greater efficiency.

Efficiency will increase as each NAFTA signatory pursues its comparative advantage, and through increased North American competition. The NAFTA will enhance the ability of North American firms to compete against foreign competitors both at home and abroad by widening both the scope of the market and the range of available labor skills. As such the NAFTA is an important component in an overall economic strategy that focuses on domestic economic growth, job creation, and on preparing America to compete in the world economy of the future.

Worldwide, the major developed countries are continuing a process of integrating their economies into larger groupings. Economic integration is an integral part of an overall strategy by the world's economic powers to be more internationally competitive and to make their workers more prosperous. Europe is moving quickly towards a single integrated market, while Japan has fostered strong economic ties to Southeast Asia. Therefore, without a North American partnership through the NAFTA, the United States will be increasingly at a disadvantage vis-a-vis its major economic competitors.

Not only are developed countries integrating with other developed countries, as in Europe, but industrialized nations are also teaming up with other industrializing nations through direct investment. These investments take advantage of economies of scale, lower factor costs, or resources that are in short supply at home, and they ensure market access and a flexible, rapid customer response. These strategies have not lowered standards of living. Competition from Spain and Portugal -- which at the time of their entry to the European Community had a per capita GNP equal to 40 percent and 19 percent respectively of their wealthier neighbors to the north -- did not depress wages in wealthier European nations.¹⁹ In fact, during the five years after 1986, wages in France and Germany increased dramatically.

The case of Japan is instructive. Japan's foreign direct investment permits its own workers to move into higher wage activities and permits its economy to continue to expand in the face of a labor shortage and an appreciating yen. Japan's exporting industries are expanding globally in order to stay competitive with both foreign and domestic companies. Much of the manufacturing that was previously performed in Japan is now performed in the industrializing nations of Asia. Japanese automobile manufacturers, for example, have established networks throughout Asia in which labor intensive manufacturing is often performed in Thailand, Malaysia, and the Philippines, while headquarters and information-distribution centers are often located in Singapore.²⁰ These strategies allow for plant specialization, regional economies of scale, and intra-firm trade that ensures the long-term competitiveness of Japanese and German companies. German companies are engaging in much the same strategy. Production of labor-intensive components is becoming increasingly uneconomic in Germany. To compete at home and abroad German companies are making their operations more efficient by employing lower cost labor for labor-intensive components.

In short, integration with Mexico will provide multiple benefits for the United States, not the least of which is a further rationalization of the U. S. economy. The NAFTA will provide greater access to Mexico for U. S. exports, and it will raise living standards in the United States over the

long term as this country focuses on higher skill, higher wage employment opportunities for American workers. With or without the NAFTA, companies will continue to seek to lower some costs by employing lower- cost labor abroad. The benefit of having those investments go to Mexico rather than to Asia is that investments in Mexico are much more likely to purchase components from the U. S. These exports translate into more, not less, jobs for Americans.

THE MYTH OF JOB LOSS AND DE-INVESTMENT

What about the fears of massive job loss due to the NAFTA? What about the "giant sucking sound" of jobs flowing to Mexico described by Ross Perot? How can American workers compete against Mexican workers earning one-seventh U. S. wages in comparable industries? Won't the NAFTA exacerbate the hemorrhaging of U. S. manufacturing jobs witnessed for the last decade and a half?

Fears about the NAFTA center on the investment question, and are based on a fundamental misunderstanding of what the current situation is and what the agreement will change. Opponents of the NAFTA assert that the NAFTA will lead to a massive flow of investment to Mexico as U. S. firms take advantage of lower costs in Mexico. This argument was put succinctly by AFL-CIO president Lane Kirkland, who recently wrote that "the financial elites pushing the current NAFTA aren't really interested in uplifting living standards in either Mexico or in the United States but in making a quick profit by exploiting Mexico's low wages and poor enforcement of environmental and labor laws."21

The judgments of many of the NAFTA opponents are based on flawed assumptions and bad information. The recently released book by Ross Perot and Pat Choate, *Save Your Job, Save Your Country: Why NAFTA Must be Stopped Now*, 22 is a prime example of the arguments being advanced by the most virulent NAFTA opponents. The book relies on a distortion of the facts in many cases. For example, it quotes then-Secretary of Labor Lynn Martin as saying that the agreement would lead to job losses of 150, 000 without noting that she went onto say that the agreement would create 325, 000 jobs for a net employment increase. It also contends that the agreement will lower U. S. health and environmental standards, when in reality the agreement specifically insures that each country, state, and local government can maintain as stringent standards as it considers appropriate. There are many other examples of misinformation throughout the book.

Most important, at the heart of the book is the belief that American workers can't compete with low-wage countries like Mexico. Its defeatist tone ignores the excellence of U. S. goods and services worldwide, the productivity and skills of our workforce, and the innovative spirit that has spawned numerous new industries. The idea that the United States cannot compete with Mexico is dead wrong. If we do not believe we can compete with Mexico, a country with which we almost always (except in the Reagan years) have had a surplus with, how can we prepare to compete with Japan and Germany?

The perception -- widely shared among American workers, thanks in part to the efforts of Mr. Perot and others like him -- that the NAFTA will lead to job losses is based on three major misconceptions: (1) it ignores the fact that the NAFTA will not significantly change the rules for the type of investment opponents fear will flow to Mexico; (2) it ignores the nature of the new investment that is now flowing to Mexico; and (3) it exaggerates the overall effect that integration with Mexico will have on the U. S. economy.

NAFTA AND INVESTMENT RULES

First, nothing prevents jobs supposedly at risk in the NAFTA from being moved to Mexico now. The liberalization of foreign investment in Mexico under the NAFTA would largely affect investment meant to service the Mexican market. Rules for investment for export back to the United States have been favorable for close to 30 years. Indeed, the maquiladora program-- which opponents to the NAFTA claim is the model for what will happen if the NAFTA is approved -- has been in place since 1965. The maquiladora program allows companies to set up plants in Mexico (within a 50-mile corridor along the U. S. -Mexican border) that can import components duty-free and upon re-export pay U. S. tariffs only on the value added in Mexico. Senator John Kerry (D-Mass.) notes U. S. companies are going to Mexico even though the NAFTA doesn't exist. "They're going to go to Mexico tomorrow and the next day, and there isn't any law that I know of that you can pass in the United States, unless we totally turn our capitalistic system topsy-turvy, that will prevent them from doing so."²³ And it is far better that these companies go to Mexico with part of their work than to South Asia or Europe with virtually all of it. Mexico is not the only alternative for companies looking to lower labor costs.

It is true that a significant number of U. S. jobs have been lost when plants relocated to Mexico and other countries. The recent transfer of Smith Corona's Cortland, New York, plant to Mexico highlighted this. However, the opponents of the NAFTA vastly overstate the risks of job flight to Mexico. And they ignore the fact that jobs "lost" to Mexico otherwise might have gone to other foreign countries which purchase only 10 percent to 15 percent of their inputs from the United States instead of the 70 percent figure for Mexico. Indeed, Smith Corona, which is 49 percent British owned, had already moved much of its production to Thailand and had been shipping its products back to the U. S. retailers for sales to American consumers.

An obvious question is why jobs that supposedly will be at risk under the NAFTA are still here. The answer is that there are many factors other than labor costs that go into plant location decisions, including productivity, transportation costs, availability of raw materials, local infrastructure, political risk, and proximity to markets. American workers are the most productive in the world, Mexico's transportation and communications infrastructure is inadequate, and U. S. companies need to be close to their customers. If companies based their decisions on labor costs alone there would be little manufacturing left in most of the developed world. This obviously is not the case. Indeed, the United States has two of its largest bilateral deficits with Japan and Germany, countries with wages as high or higher than those in the United States.

ENVIRONMENTAL STANDARDS ARE LIKELY TO IMPROVE

The cost of compliance with environmental regulations in the United States are also greatly exaggerated as a reason for plant relocation to Mexico. According to the Environmental Protection Agency (EPA), "compliance costs play a minimal role in relocation decisions because they represent a small share of total costs for most industries. Indeed, 86 percent of U. S. industries have abatement costs of 2 percent or less. Moreover, most U. S. industries with high compliance costs already have low tariffs, so the NAFTA would give them little incentive to relocate to Mexico."24 What the NAFTA does do is increase the likelihood that Mexico will improve environmental standards.

In fact, Mexico has already made significant progress on the environmental front. Since the adoption in 1988 of comprehensive environmental legislation modeled after U. S. law, Mexico has stepped up enforcement of its regulations and has become more responsive to the concerns of citizens living in crowded and polluted cities. 25 While some may see Mexico's growing attention to the environment as a ploy to ensure passage of NAFTA, a recent study suggests that it may have more to do with Mexico's level of economic development than ulterior political motivations. 26 This study found that once a country passes a per capita income threshold of \$5, 000, it begins to spend significantly more on quality-of-life matters such as environmental cleanup. Mexico's per capita income hovers close to this mark. The free trade agreement will enable Mexico to cross that economic threshold sooner, and will permit it to devote more resources to improving the environment.

Moreover, the environmental side agreement adds further reassurance that economic growth will not take place at the expense of the environment by providing watchdog groups to monitor compliance with national environmental regulations. Thus, the NAFTA will prevent abuse by firms that might seek to reduce their pollution abatement costs by setting up operations in Mexico while the liberalized investment rules will probably reduce cross-border pollution by ending the artificial concentration of industry in the border areas.

WHERE DOES U. S. INVESTMENT FLOW?

Contrary to popular belief, most of the U. S. investment flowing to Mexico is not targeted at the U. S. market. Rather, the vast majority of this investment is intended to service the rapidly growing Mexican market. In 1990, local sales accounted for 70percent of total sales by majority-owned Mexican affiliates of U. S. firms. Only 25 percent of sales were exports to the United States. Indeed, since barriers in the United States to Mexican imports are already low, there is little reason to assume there will be a mass exodus of U. S. firms to Mexico. The NAFTA will lead to greater access for American investors to target the Mexican market, not, as many opponents assume, to target the U. S. market.

On the other hand, liberalization in the NAFTA may actually reduce the need for direct foreign investment to access the Mexican market. It will reduce or eliminate many Mexican non-tariff barriers which require U. S. companies to invest in Mexico in order to service the Mexican market, such as those that force U. S. companies to purchase Mexican goods instead of U. S. -made equipment and components. For example, Mexican law requires most automobiles sold in Mexico to be produced there. This requirement will be phased out, opening a rapidly

growing market to U. S. auto makers. U. S. companies expect, as a consequence, to export 60,000 American-made vehicles to Mexico in the first year. 27 Many larger American companies have avoided trade barriers by establishing facilities in Mexico to service that market. The NAFTA, however, will diminish this need and make it easier for firms to service Mexico directly from the United States. Moreover, the NAFTA will put small U. S. businesses on the same footing as larger businesses, allowing them to gain access to the Mexican market through exports, which will create more jobs for American workers. 28 Smaller U. S. businesses, those with fewer than 100 employees, comprise 99.97 percent of American businesses and accounted for more than 90 percent of the jobs created in the last five years. These companies stand to benefit greatly from the NAFTA because, unlike larger companies, they have not had the resources to circumvent Mexico's traditional tariff and non-tariff barriers. For example, the NAFTA will eliminate much of the red tape, such as licensing requirements and other restrictions, that effectively keep small businesses out of Mexico. And the NAFTA will remove most trucking restrictions by the year 2000, such as the Mexican law that goods shipped from the United States must be transferred to a Mexican rig at the border, a costly and time-consuming process that keeps many small-businesses from selling to Mexico.

EXAGGERATING THE OVERALL EFFECT OF THE NAFTA

Both opponents and proponents of the NAFTA have exaggerated the overall importance of a free trade agreement with Mexico. In large part this is explained by the fact that the NAFTA debate itself is a substitute for the much larger issue of U. S. self-confidence. Many opponents conjure up the most dire doomsday scenarios, while many proponents tend to paint the agreement as a miracle worker for the U. S. economy. Exaggerations either way have little grounding in economic reality. Although the preponderance of evidence points to a net benefit for the United States if the NAFTA is approved, the overall tangible effect of the agreement on the United States is destined to be relatively limited.

Three principle factors provide the context for understanding the effect the NAFTA will have on the United States: (1) the relative sizes of the U. S. and Mexican economies, (2) the small portion of total U. S. foreign direct investment flowing to Mexico, and (3) the massive job turnover constantly occurring in the United States.

First, the overall impact of the NAFTA is limited by the tremendous difference in size between the U. S. and Mexican economies. In 1992, the Mexican Gross Domestic Product (G.P.) was \$329 billion while the U. S. G.P. was about \$5.95 trillion in current dollars. This makes the U. S. economy about eighteen times larger than Mexico's. Mexico simply is not capable of flooding the U. S. with cheap goods. In fact, the value of the goods that the United States imports each year is close to twice the size of the entire Mexican economy. Imports from Mexico accounted for less than 10 percent of total U. S. imports in 1992.

A Canadian study of the North American textile sector illustrates the limited effect the agreement with Mexico will have on the United States. The study was designed to test a worst-case scenario for the clothing industry. According to economists at the University of Western Ontario, even if American imports of Mexican clothing increased by an extremely

unlikely, 4,000 percent, U. S. clothing production would only decline by 5 percent because of the relative sizes of the American and Mexican markets. 29 Mexico supplies only 2.5 percent of U. S. textile imports and less than 1 percent of the total U. S. market for clothing.

In short, integration with Mexico will have a limited, though by no means unimportant, effect on the United States. The NAFTA will not substantially change the rules governing Mexico's access to the United States, nor will it substantially alter the rules of investment for U. S. companies seeking to lower costs with cheap labor. When all of these factors are combined, the conclusion is that the agreement will neither be a panacea nor a curse.

The second factor that puts the NAFTA in perspective is the fact that U. S. investment capital flowing to Mexico is but a small portion of overall U. S. investment both at home and abroad. Contrary to Ross Perot's claims, Mexico is not a magnet for U. S. investment. 30 U. S. companies and individuals invested a net total of \$5.4 billion in Mexico in 1992, roughly 10 percent of the net total of \$53.3 billion Americans invested abroad that year. 31 Compared to total nonresidential fixed investment in the United States of \$48.2 billion in 1992, the direct investment by Americans in Mexico was a mere statistical blip. 32

Lastly, the job losses and gains projected by both proponents and opponents must be compared to the overall job turnover rate in the United States. Most studies have projected some job gains due to the NAFTA. The U. S. International Trade Commission projects that jobs gained will outnumber jobs lost by 35,000 to 170,000. 33 The Institute for International Economics has estimated that 150,000 lost jobs will be offset by job gains of over 320,000. 34 The most pessimistic study has estimated cumulative job losses of 500,000 over 5 years. However, all the numbers of the estimated employment impact of the NAFTA pale in significance compared to the approximately eight million to nine million Americans who change jobs each and every year 35 and to the nearly 20 million workers displaced from their jobs during the 1980s. 36 A fall of half a percentage point in long-term interest rates alone, over time, would generate over 300,000 jobs. And the net job impact of the NAFTA in the next few years would probably not even reach the 250,000 that Vice President Gore has suggested should be cut from the Federal Government. Thus, in an economy that employs almost 120 million people, the effect of the NAFTA on total employment will be very limited.

PREPARING THE U. S. WORKFORCE FOR GLOBAL COMPETITION

The issue of job loss has less to do with the NAFTA than with anxiety over the transformation to a global economy over the past 20 years and the resulting changes in the U. S. economy. The anxiety is fueled by the major transition under way in the labor market. In recent years, in particular, productivity gains have significantly reduced the number of manufacturing jobs just as agricultural modernization once reduced the number of jobs in farming while improving U. S. living standards. These changes have forced major icons of corporate America to drastically cut personnel at all levels. Productivity gains that have benefitted consumers and have caused pain among producers, just as they have throughout history. For some workers, who find their skills obsolete, the effect can be devastating. Harvard economist James Medoff asserts that large numbers of manufacturing jobs that provided relatively high wages and good

benefits have been replaced by service jobs that pay less and offer fewer or no benefits. According to Medoff, this churning of the labor market leaves middle-aged workers among the most vulnerable to job loss.³⁷ In short, the structure of U. S. employment has changed, resulting in dislocations for both white and blue collar workers with skills either unused or mismatched with their jobs.

The events of recent years have shaken America's confidence, and have helped shape the debate over the NAFTA. Americans made fearful by numerous announcements of corporate cutbacks are naturally susceptible to the alarm bells being rung about the NAFTA. Certainly, a number of U. S. jobs will continue to be lost to plant relocations to Mexico. The question is whether rejecting the NAFTA will help the U. S. keep those jobs. A recent study by the Congressional Research Service about the extent to which employers will relocate their manufacturing operations to Mexico notes that the decline in U. S. manufacturing employment since 1979 may continue for a number of reasons, including: international competition, especially with lower-wage countries; domestic competition, particularly with companies also trying to compete internationally; and continued automation of manufacturing operations.³⁸ Technology advances are a major contribution to the decline in U. S. manufacturing employment.

In today's economic environment, opponents of the NAFTA seek to garner support for their point of view by linking the idea of job loss to the NAFTA. They are dead wrong about the full effects of the agreement, but they are correct that some people will lose their jobs as a result of the NAFTA. The solution to the problem of job loss due to increased productivity and efficiency gains is not, however, closed markets, trade barriers, and futile and wasteful attempts to retain low-skill, low-wage manufacturing jobs. Instead, the solution lies in domestic policies designed to create new jobs that create lasting opportunities for displaced workers, and in policies that prepare and assist American workers to take advantage of these new opportunities.

The fact is that the U. S. economy is very good at creating jobs. The United States benefits greatly by having the most flexible job market in the developed world, but the flip side of this flexibility, job dislocation, is what most often catches the public's eye. The other side of the story is that between 1965 and 1989, 46 million new jobs were created in the United States, as compared to 5.8 million in Europe and 14 million in Japan.³⁹ One need only look at the vast new industries that have been created in the last decade, at the same time that older industries have withered away. This has been made possible through a regulatory and industrial environment that provides managers with great flexibility in employment practices. This flexibility has benefitted the United States by permitting U. S. companies to seek continually new ways to raise productivity and by preventing the wasteful diversion of resources into maintaining the work force in industries that cannot sustain it on their own.

However, the United States has traditionally fallen short in supporting displaced workers. While the U. S. has mastered productivity enhancement and has done a fair job at creating new jobs to fill the gap of lost jobs, it has failed to develop an adequate system for helping the casualties of the flexible labor market to move on. The challenge for those who believe in America's ability to compete in the global economy is to develop an education and training system that will ensure that U. S. workers are prepared to fill those high skill jobs.

The worker training programs currently in place, however, are inadequate. The United States has significantly lower expenditures for worker training programs than Canada, France, Germany, and the United Kingdom. For example, the U. S. spends one fourth of what Germany allocates for training per worker. Moreover, the current Trade Adjustment Assistance (TAA) programs are disjointed and crippled with bureaucratic requirements and inefficiencies. For example, TAA takes months just to determine the eligibility of recipients, and it does not provide an incentive for workers to enroll in training programs until after unemployment benefits have been exhausted. 40 The Clinton Administration is now calling for an enhancement of the education and training programs, including a "one-stop shopping" system for adjustment assistance and training programs. As Secretary of Labor Robert Reich has acknowledged, increases in funding for these programs will not suffice. What really counts is the ability of Americans to add value to an increasingly global economy. The more value American workers can add, the higher the potential income for all Americans. 41 In order to reach this goal, the Administration has proposed a partnership between government, business, and labor to prepare Americans for the labor market of today and tomorrow.

Progressive advocates of open trading, however, must also explicitly acknowledge the idea that a particular job can no longer be guaranteed in an economy marked by tough foreign competition, constant technological change, and tremendous business turnover. These forces are eroding the traditional basis of security for millions of American workers, especially in the manufacturing sector. In the new global economy, people will -- and do -- change jobs and careers more frequently than in the past. As a result, individual opportunity and job security depend not on lifetime jobs in stable industries, but rather on the ability of workers to obtain the necessary skills to pursue new career opportunities.

A NEW COMPACT WITH WORKERS

With this global transition in mind, the Progressive Policy Institute has proposed a compact between government and the American work force that consists of three initiatives. First, the President should call for the establishment of a federal Employment Insurance System, which would provide "vouchers" for displaced workers to purchase education and training to find new, well-paying jobs. Second, he should call for an increased private-sector contribution to worker skill-training. And third, President Clinton should strengthen the economic security of U. S. workers through support of a more democratic workplace. Confrontational labor-management relations and constricted work rules are no longer the best ways to organize the workplace. Enacting such a compact would markedly increase worker security, the perceived lack of which is a major stumbling block facing the passage of the NAFTA.

If Americans are to have an increasing standard of living in the future, the United States must favor policies that move the U. S. economy away from low-skill, low-wage jobs in favor of higher-skill, higher-wage jobs. Most industries that become uncompetitive because of wage pressures from abroad will never regain their job-creating growth. If these industries survive, they will consist of weaker companies with fewer workers and depressed wages. Maintaining the status quo with protectionism keeps resources in these dying enterprises and diverts them from the very sectors of the economy that have the capacity to increase exports and create jobs.

For example, restrictions on foreign textiles and apparel cost American consumers billions of dollars each year. Protection of apparel jobs is accomplished at a cost per job saved of over \$40,000 annually. 42The consumer pays through higher prices, and purchasing power is diverted from other goods and services. This amounts to an income redistribution that taxes the middle- and lower-income brackets hardest because a greater percentage of their incomes is spent on necessary goods such as clothing. The jobs preserved are among the lowest paying of U. S. jobs whose earnings over time have fallen relative to all manufacturing employees. And despite the protection the industry has enjoyed for the past few decades, the apparel industry in the United States continues to shrink. Employment has dropped by more than 25 percent in the last two decades and would continue to fall even without the NAFTA. Studies of the effect of the NAFTA on employment in the apparel industry indicate that it might reduce employment by 0.4 to 1.2 percent, or increase it by 0.4percent. 43 In an industry of one million workers, this translates into no more than 12,000 jobs. Nevertheless, some of the most fierce opposition to the NAFTA is coming from the protectionism-dependent apparel industry.

Protecting industries like the apparel industry from the pressures and opportunities of freer trades slows the growth of American living standards by diverting resources from more vibrant industries, keeping American workers in low-skill jobs. A study by the Federal Reserve Bank of Dallas concluded that each job created in textiles and apparel was a job lost in some other sector. In a particularly clear example of this, despite a high demand in Europe for North Carolina's furniture in 1991, there was a labor shortage in large part because of that state's high apparel employment. 44

The U. S. jobs that are likely to be adversely affected by the NAFTA are in highly protected labor-intensive industries, such as frozen orange juice, canned tuna, cheap glassware, athletic shoes, peanuts, and sugar. Some of the most vocal opponents of the NAFTA represent these industries, even though total employment in all of them is less than 50,000, usually at very low wages. 45 Rejecting the NAFTA to preserve these jobs makes no sense. The fact is, wages in these industries will never be low enough to compete without massive protection from outside competition. Rejecting the NAFTA will not make these industries more competitive.

The lesson of Japan is instructive to America's debate over the NAFTA and the course of our economic future. In 1967, just as Japan was bursting into the world economy, The Economist said that "the great process of Japanese economic growth has consisted of an exercise in pushing resources out of the low-productivity 'ancient' sector of her economy into the high-productivity 'modernized' sector." 46 As described by The Economist, Japanese policy was to promote expansion of high-wage industries while pressuring low-wage industries to modernize and pay higher wages. Anything less on the part of the United States will directly translate into a lower standard of living in the future.

CONCLUSION

The slow recovery from the recession and the rapidly changing global economy have heightened fears among Americans about their economic future. Uncertain of how the U. S. is to prosper in an increasingly globalized and competitive marketplace, many Americans are inclined

to withdraw behind national borders for protection. However, such a retreat would severely jeopardize the economic future of all Americans. The NAFTA provides a clear opportunity for the U. S. to pursue export-led growth that will create high-skill, high-wage jobs. The United States must not let fear impede this transition.

International trade is crucial for the future of the American economy. Jobs in the United States increasingly depend on access to markets abroad. Rejecting the NAFTA reduces the opportunities to trade in that market, one of America's most important and fastest growing markets that is already providing important employment benefits. The new jobs generated through exports to Mexico will advance the skills and wages of U. S. workers, thereby raising living standards. In addition, the NAFTA will allow the United States, along with Mexico and Canada, to reap the benefits of comparative advantage and thus make the North American economy more efficient and competitive worldwide. Without a forward-looking, export-active, dynamic trade policy which includes the NAFTA, many workers will be condemned to low-wage jobs in industries addicted to protectionism in a static economy.

The NAFTA has been misunderstood by many Americans, in large part because Ross Perot and others like him have exploited the insecurities of American workers by painting a dismal and untrue picture of job loss and de-investment. The fact that the opponents of the NAFTA have found such a ready audience is testament to the far-reaching nature of the debate. It is a debate that pits pessimist against optimist, those who believe America can compete and prosper in the world economy and those who believe America can only lose. The NAFTA is a good agreement that provides great opportunity for American workers and the U. S. economy. Although it is not a panacea for America's problems, it is an agreement that benefits everyone. But above all, it has become the focus of the debate over two very different views of America.

The United States now has a historic opportunity to decide whether it will pursue a path that will make American firms more competitive and raise living standards by boldly engaging the world economy, with all its changes and uncertainties. The debate over the NAFTA is indeed a debate over the direction of the U. S. economy. Much is at stake, not the least of which are the opportunities to forge lasting and beneficial ties to our southern neighbor. Fears fueled by recession and inflated by political rhetoric must not prevent the u. S. from seizing this opportunity with Mexico. At stake are the favored relationship that the NAFTA will ensure for the United States in one of the largest markets for U. S. exports, and the far-reaching reforms that have brought profound change to Mexico's economic and political landscape. A rejection of the NAFTA could also precipitate the unwinding of the gains from liberalization that have occurred in other Latin

American nations striving to emulate Mexico's reforms. The United States cannot afford the political and economic risks that a rejection of the NAFTA would entail. Neither can it afford to throw away the economic opportunity that the agreement affords U. S. companies and workers.

The U. S. needs to forge ahead boldly by remaining an active leader in the international economy. A defeat of the NAFTA would be seen by the world as a retreat from free trade and from U. S. support for the liberalization of global trade. Approval of this historic agreement, on

the other hand, would deal are sounding blow to economic defeatists in America, create opportunity for American workers, and set America on the road to regaining its economic self-confidence.

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APPENDIX: TRADE AND NAFTA POLLING DATA

This appendix exhibits the polling data measuring public opinion on international trade and the NAFTA. Tables I, II, and III address popular views of international trade in general. The data in these three tables reveals widespread American skepticism toward increasing U.S. involvement in the global economy. As a nation, we seem to be reluctant internationalists. Our preference not to be involved internationally seems to extend to America's views on trade, as well. Table I shows that voters still are split over whether multilateral, regional, or unilateral policies best serve American economic interests. Table II reveals a consistent tendency since the 1970s among voters to agree with the argument that restricting trade means more jobs for Americans. Table III mirrors this sentiment in its depiction of a large portion of Americans opposing U.S. foreign investment.

Tables V-XII show polling data on the general public's sentiments on the NAFTA. There are two factors in these polls that should be taken into consideration. First, according to Table VIA, as of September of this year, roughly one-fourth of those polled had no opinion on the NAFTA. Table X demonstrates that those involved in business, and thus more likely to deal with the issues NAFTA raises, reported a much smaller number of "don't knows" than the general public. This lack of understanding leads to a second issue -- responses elicited are shaped by how the questions are framed. Tables XI and XII clearly illustrate that the phrasing of the questions affects the responses, even though the essence of the NAFTA stays the same. This ambivalence and lack of understanding opens the doors for America's fears to play a larger role in the decision making process than otherwise might occur.

Finally, Ross Perot has attracted the following of many NAFTA opponents. Perot's continuing campaign has found fertile ground among those Americans who are anxious about job security. Tables XIII-XIV are comparative polls of Perot, Clinton and Bush voters on international trade

issues.

TABLE I: U.S. INTERNATIONAL TRADE AND INVESTMENT POLICIES

"Please tell me which one of the three statements on this card best describes how you personally feel the United States policy should be with respect to international trade and finance."	
The United States should pursue its foreign trade and financial goals in cooperation with many nations, through the multinational trading system, as we do now.	41
The United States should pursue its foreign trade and financial goals in close cooperation with its North American neighbors, Canada and Mexico.	20
The United States should pursue its foreign trade and financial goals on its own, focusing mainly on its own interests.	36
Don't know.	3
(Roper Reports, Roper Organization, New York, New York, Dec 1-8, 1991)	

TABLE II: IMPORT RESTRICTIONS

Arguments for restrictions on imports:								
	Nov. 1991			"Good argument"				
Figs. (%)	Good arg.	Not good arg.	Don't know	1990 Feb.	1983 Feb.	1981 Oct.	1979 Oct./ Nov.	1977 Nov.
Keeping out foreign goods means more jobs for Americans	70	23	8	65	71	67	68	74
Restricting imports would improve our trade balance (the difference between money going out of the country and the money coming in)	69	21	10	71	68	65	66	62
Keeping out foreign goods would mean American companies would make better profits	58	32	10	56	54	50	47	58
Arguments against restrictions on imports:								
	Nov. 1991			"Good argument"				
Figs. (%)	Good arg.	Not good arg.	Don't know	1990 Feb.	1983 Feb.	1981 Oct.	1979 Oct./ Nov.	1977 Nov.
Foreign competition forces American manufacturers to find better ways to make things and bring their prices into line	64	25	11	71	71	72	65	67
Foreign competition means Americans can buy goods at lower prices	61	30	9	n/a	n/a	n/a	n/a	n/a
Americans could buy the goods at lower prices	56	33	10	56	55	59	51	57
Trade barriers create world tensions	53	35	12	56	58	54	42	53
n/a = Not Asked								
Source: (Roper Reports 91-10, Roper Organization, New York, New York, pp. 125, 126.)								

TABLE III: U.S. FOREIGN INVESTMENT

"American companies can invest in foreign countries in a number of ways -- by buying up companies, by buying stock in companies and by building and operating plants. This benefits the companies that invest in other countries by expanding their business, and benefits the countries they invest in by providing greater production and more jobs in those countries. . . . Are you in favor of or opposed to American companies investing in foreign countries?"

Figs. (%)	1991 May	1988May	1986June	1981May/June	1979June
In favor of	35	39	43	42	38
Opposed to	44	39	34	36	38
No feelings	16	15	16	15	18
Don't know	5	6	6	7	7

(Roper Organization, Roper Reports, New York, New York, 91-6, p. 23)

TABLE IV: THE NORTH AMERICAN FREE TRADE AGREEMENT

"As you may know, Canada and the United States now share a free trade agreement which ensures that trade between the two countries largely is not subject to tariffs or import quotas. It has been suggested that a wider free trade zone be established consisting of the United States, Canada, and Mexico. In general, do you think a North American free trade zone consisting of these three countries would be mostly good for the United States, or mostly bad for the United States?"

Figs. (%)	1992	1991
Mostly good for this country:	55	72
Mostly bad:	24	15
Neither good nor bad:	5	3
No Opinion:	16	10

(Gallup, September 28, 1992)

TABLES V-VII: 1991-1993 NAFTA GENERAL OPINION POLLS

TABLE V: (1991)

All things considered, are you generally in favor or opposed to a North American Free Trade Agreement with the United States, Canada, and Mexico?	
Generally in favor	47%
Generally opposed	12
Depends on how it turns out	16
Don't Know	25
(Roper Reports, Roper Organization, New York, New York)	

TABLE VI: (1992)

From what you have heard or read about the North American Free Trade Agreement among the US, Canada, and Mexico, do you think it is good or bad for the US?	
Good for the US	40%
Bad for the US	32
Haven't heard/read about	11
Don't Know	17
(Roper Reports, Roper Organization, New York, New York)	

TABLE VIA (1993)

Figs. (%)	September	July	April	January
Favor	25	31	27	28
Oppose	36	29	25	31
Haven't heard enough yet	34	36	44	36
("Wall Street Journal"/NBC New Poll, Survey of 1,006 adults September 10-13.)				

TABLE VIIIb (1993)

Figs. (%)	September	Aug. 10-12
Favor	35	41
Strongly	7	
Moderately	28	
Oppose	41	44
Strongly	21	
Moderately	20	
No Opinion	24	15
(CNN/USA Today/Gallup survey of 1,002 adults September 10-12.)		

TABLE VIII: NAFTA SPECIFICS

If NAFTA is passed, Mexican immigration to United States		
Will go up	34%	
Will go down	18	
Will stay about the same	44	
If NAFTA is not passed, Mexican immigration to the United States		
Will go up	34%	
Will go down	3	
Will stay about the same	59	
If NAFTA is passed . . .	Agree	Disagree
American manufacturing jobs will move to Mexico	74%	20%
Only big American corporations will benefit	55	37
American exports will increase	51	38
The United States, Canada and Mexico will join forces to form a powerful bloc to compete with Japan and the EC	44	40
Some jobs will be lost in the U.S., but even more jobs will be created	40	50
All nations will benefit from ending restrictions on trade, because their economies will grow	39	50
The U.S. standard of living will rise in the long run	36	53
If NAFTA is not passed . . .	Agree	Disagree
The U.S. will have to give more foreign aid and loans to Mexico to support its economy	54%	38%
Japan and the EC will take advantage of opportunities in Mexico; the United States will lose chances to export goods there	53	37
("Wall Street Journal"/NBC New Poll, Survey of 1,006 adults September 10-13.)		

TABLE IX: GENERAL NAFTA AWARENESS

Have you heard anything about the recent proposal to create a so-called North American free trade zone comprised of Canada, the United States, and Mexico?			
Figs. (%)	Yes	No	Not Sure
1992	52	48	(x)
1991	32	66	2

(Gallup, September 28, 1992)

TABLE X: NAFTA AWARENESS: GENERAL BUSINESS vs. GENERAL PUBLIC

"Based on what you now believe regarding NAFTA's possible future effect on US business and trade, do you support the agreement?"			
Figs. (%)	Yes	No	Don't Know
General Business	58	31	11
General Public	33	21	46

General Business = 1,529 senior executives, managers and small business owners
 General Public = 1,529 registered voters
 Source: (H&M Consulting, September 1993)

TABLES XI and XII: FRAMING THE NAFTA ISSUE**TABLE XI**

"Do you favor or oppose the [NAFTA] with Mexico and Canada that eliminates nearly all restrictions on imports, exports, and business investments between the U.S., Mexico, and Canada?"			
Figs. (%)	4/20/93	1/93	10/92
Favor	27	28	21
Oppose	25	31	37
Not heard enough	44	36	38

(WS/NBC (Hart/Teeter))

TABLE XII

"Some people say a free trade agreement with Mexico would be good for the U.S. because it would help the U.S. economy by expanding exports. Others say it will be bad for the U.S. because it will end up costing the U.S. jobs." Do you favor or oppose [the NAFTA]?			
Figs. (%)	7/11/93	3/31	9/92
Favor	28	31	33
Oppose	65	63	57
Source: (Gallup)			

TABLE XIII-XIV: NAFTA AND THE VOTER

TABLE XIII

How important to you personally is the issue of the North American Free Trade Agreement with Mexico?			
Figs. (%)	Perot	Clinton	Bush
One of the most important	6	5	3
Very Important	23	21	18
Somewhat Important	39	43	49
Not Very Important	24	22	20
Don't Know	8	9	10

TABLE XIV

Hypothetically, Bill Clinton has succeeded in accomplishing a number of things by 1996. How much it would matter to you if you thought Bill Clinton succeeded in each area?

Clinton has taken strong action to reduce unfair trading practices by foreign countries and to force open foreign markets.						
Figs. (%)	Great Deal	A Lot	Some	Not Too Much	No Diff.	Don't Know
Perot	45	23	22	6	2	2
Clinton	38	18	29	12	1	2
Bush	32	24	25	13	2	5
Clinton has taken strong action to make trade with foreign countries more free and to create open markets with other countries. (Sample Y)						
Figs. (%)	Great Deal	A Lot	Some	Not Too Much	No Diff.	Don't Know
Perot	30	26	30	9	2	3
Clinton	36	17	30	12	2	3
Bush	30	24	30	8	3	5
(Stanley Greenberg, Al From, and Will Marshall, The Road to Realignment: The Democrats and the Perot Voters. Washington D.C.: Democratic Leadership Council, 1993: pg. III-9.)						