[redacted]
Lincoln, Nebraska
68507
September 18, 1993

Mr Bryan Lamb
C-Span
Washington, D. C.

Dear Bryan;

Love C-Span and I watch it often. Friday, September 17, I was watching. You had 3 guests whose names I did not jot down. One gentleman, one lady from Knight-Ridder, and a British fellow.

It is appalling that you could have such a panel giving their support to NAFTA when it was so obvious not one of them has even seen a copy. That is what our congress is doing. They just passed a deficit reduction bill so called, but the day of the vote they stated they had not even read it. C-Span carried that. Now they want to do the same thing with NAFTA. What can you say for people who will vote things into law and not even read what they are voting on?

I have a copy of NAFTA which I paid for myself. I obtained it from Chuck Harder. Mr Harder operates the "For the People" network which is a listener supported program from White Springs, Florida.

I have sent you this paper and you will find some material inside the paper that I have inserted. We are distributing these in our area. One of the sheets you will note has questions regarding NAFTA. It would be nice if some one who is touting the benefits of NAFTA would answer some of them.

They promise 400,000 jobs under NAFTA. We have lost nearly 700,000 to Mexico already, not to mention the Caribbean, Central America, and the Asian countries. Looks like a net loss already.

Obtain a copy of NAFTA. If you read nothing else, read Volume 1, chapter 16.

It is hilarious to see the media supporting something they have not read. Bryan, read Volume 2, pages I-M-10 thru I-M-13. You will see that the press will be subject to censorship.

Read it all before you throw your support to it. Every effort has been made to not let the people know what is in NAFTA. Look at the corporations behind it. Follow the money trail. Look at the people on the payroll of the Mexican Government to try and put this over on us.

Contact Mr Harder and see if you can get Pat Choate or some spokesman who has studied NAFTA, and does not stand to gain from its passage, to come on and present their side.

Respectfully,

[redacted]

Enclosed you will find a copy of a newspaper devoted entirely to information on NAFTA. Would you please read the paper and consider some of the questions? Then help break the blockade of information about NAFTA.

We cannot rely on the network news for information as they are all biased and want NAFTA pushed through. Here are some of the reasons why.

ABC	This network has been working to obtain media outlets in Mexico. They want NAFTA passed.
CBS	Owned by the same people who own Chase Manhatten Bank, which has made billions of dollars in bad loans to Mexico. Money has to be infused into Mexico if the bank has any hopes of having the loans paid.
NBC	Owned by General Electric. Now the largest employer in Mexico. (Recently one news source claims that General Motors is now number one.)
CNN	Always boasting about being world wide and global.

With all of our major networks having a vested interest in NAFTA passing, how can we rely on them?

Some one should be asking some of the following questions.

1. Why was it drawn up in secret?
2. Why is there no out for America if we find the agreement not working out? We can only get out if all who signed the agreement agree to let us out.
3. Why is there such a rush to ram it through the congress with no debate and the people not knowing about it?
4. Why has our country since 1980 spent over a billion dollars of taxpayers money to encourage companies to move their plants out of our country?
5. Why has our government not been enforcing proper labeling of products so the people will know where they are coming from?
6. Why are we not alarmed about the high number of companies moving out of our nation and leaving our people jobless and the tax base further weakened?
7. Why are we not concerned when consumer groups will soon have to deal with decisions being made increasingly by other countries, other officials, and other lobbies, that have no accountability or disclosure requirements in this country?
8. Why are we not concerned when NAFTA permits employment of workers from Mexico and Canada in the US, even if there are workers here who need and want the jobs?
9. Why are we not concerned when NAFTA will phase out all ceilings on temporary entry of professional employees from Mexico and Canada into the US?
10. How can we compete against Mexico with a minimum wage of ¢58 per hour?

11. Mexico has demanded the protection of their sovereignty. Why have we not?
12. Mexico already warns their people about the danger of buying imports. Why are we not alarmed when under NAFTA we will not be permitted to encourage people to buy American.
13. The people do not want the agreement but many large corporations do. Why are the people being ignored?
14. Why are we not furious when members of congress have been quoted in the news saying they have not even seen a copy of NAFTA? Yet, they are going to vote on it.
15. It has been nearly impossible to obtain a copy until a citizens organization got a copy and reproduced it for $29.00. The government wanted nearly 3 times that amount if you requested it from them. Was this a part of the plan to discourage people from getting a copy?
16. Mexico is an extremely poor country. Many pictures you see show people living in tin roof shacks with no utilities. Streets used a open sewers. How are people this poor going to be able to purchase our products?
17. Why are we not up in arms when our representatives in Washington are approving treaties and laws that negate the Constitution of the United States? This is a clear violation of their oath to "support and defend the Constitution of the United States from all enemies, foreign and domestic.
18. We ban 17 chemicals in our country that Mexico uses on their crops, and then exports the crop.
19. Florida says they will lose their winter vegetable crop to Mexico. Should we not be concerned about relying on another country for our food?
20. Since Canada signed a free trade agreement with United States about 3 years ago, they have lost 266,000 jobs to the United States which had a lower rate of pay. We will see the same thing happen to our nation under NAFTA.
21. We used to collect import duties on everything coming into our country. We are giving that all up. Where is that revenue now going to come from?
22. The first part of July they reported our trade deficit was running at 125 billion per year. If we stopped the so called free trade, would our trade deficit not be eliminated and that money kept in our country?

I have a copy of the agreement which I plan on donating to Bennett Martin Library in Lincoln for people to use.

Thank you for your time.

Yours for America,

[redacted]
Lincoln
68507

ERNEST F. HOLLINGS, SOUTH CAROLINA, CHAIRMAN

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United States Senate
COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

August 12, 1993

[redacted]
Lincoln, Nebraska 68507

Dear Mr. [redacted]

Thank you for your letter expressing your opposition to the North American Free Trade Agreement (NAFTA).

Like you, I think the NAFTA is fundamentally flawed. Already, we have seen a steady stream of U.S. companies moving across the border into Mexico to take advantage of low wages and lax environmental regulations. Under NAFTA's significant protections for foreign investment in Mexico, this stream will turn into a flood.

Furthermore, our economic competitors from other corners of the world are eyeing NAFTA as a means to penetrate further the U.S. market. For example, the Korean government is providing tax breaks for companies which move to Mexico; China is setting up a yarn-spinning operation in Mexico; and Volkswagen has expanded its plant in Mexico.

Before Spain and Portugal were admitted to the European Economic Community, they were required to hold free and fair elections and agree to basic regulations regarding wages, worker safety, and the environment. The European Community also pursued a long-term social policy to raise the standard of living in these two countries. A similar policy toward Mexico would be a far wiser course for the United States than to rush pell-mell into a free trade agreement which will erode our industrial base.

Again, thank you for letting me know of your views on NAFTA. You can count on me to vote against the agreement.

With kindest regards, I am

Sincerely,

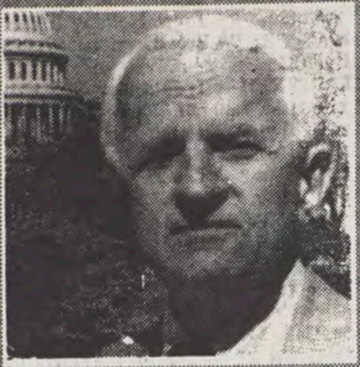
Fritz Hollings

ERNEST F. HOLLINGS
Chairman

EFH/tc

Liberty Lobby Reports

By Vince Ryan



Blueprint for Disaster

The North American Free Trade Agreement (NAFTA) is nothing more than a blueprint or master plan for the demise of the United States.

Are these strong words? Of course they are. And NAFTA must be quickly derailed off its "fast track" when it comes up for a vote in Congress this fall.

NAFTA means the economic merger of the U.S. economy with the very poor economy of Mexico. The U.S. and Mexican economies are obviously unequal.

Furthermore, NAFTA is blatantly un-Constitutional. It would grant to Mexico rights and privileges denied the 50 states. Laws regulating wages and hours, pensions, unemployment, the environment and safety would not apply to American companies in Mexico.

Our national sovereignty would disappear under NAFTA. A foreign country would control our border. And when a country loses control of its border it ceases to be independent, free—sovereign.

Now the Mexican government has made it perfectly clear that its sovereignty will remain intact and that it will not necessarily kowtow to the rulings or whims of any international trade body.

Article I, Sec. 8 of the U.S. Constitution specifically charges Congress with regulating trade with foreign nations. This mandate cannot properly be delegated to the president as has been the case for years. Yet Congress is not averse to abdicating its Constitutional responsibilities.

In 1913, Congress turned over its Constitutional mandate to coin and regulate our money to the private bankers—now called the Federal Reserve System.

Certainly to favor NAFTA, one must be practically insane. But wait. Who is for it? Why, the bankers, the special interests, big Mexican money, powerful multinational lobbyists who fuel the re-election machines of our congressmen and senators with big bucks.

Yes, there are powerful forces working for the passage of the un-Constitutional NAFTA. The first several pages of this issue of The SPOTLIGHT are crammed with facts and figures with which you can fight this un-American agreement.

If you have not done so already, order our special NAFTA issue now. There you will find more facts on NAFTA that you can give to friends and others who are uninformed. Be sure to let your congressman know that you want him to vote no when NAFTA comes up for a vote. (See box on page 6.)

☆ ☆ ☆

And

(A digest of significant news items that failed to appear in most of the nation's press.)

☆ ☆ ☆

NAFTA #1. A congressional delegation led by Rep. Marcy Kaptur (D-Ohio) was in Mexico taking water samples from a stream polluted by U.S. corporations that have fled south of the border to avoid U.S. environmental standards and to take advantage of serf-like wages. As the lawmakers watched, a chicken took a drink from the stream. Within minutes, the chicken keeled over and died right before their eyes. Rep. Kaptur intends to vote "no" on the trade agreement.

MARCY KAPTUR
. . . Will vote "no."

☆ ☆ ☆

TUNE IN TO KFOR, 6 TO 9 P.M. MONDAY THRU FRIDAY. LISTEN TO "FOR THE PEOPLE". THIS IS A NETWORK SPONSORED BY THE LISTNERS. LEARN ALL YOU CAN ABOUT "NAFTA" WHILE THERE IS TIME.

Who's Paying to Push Trade Pact?

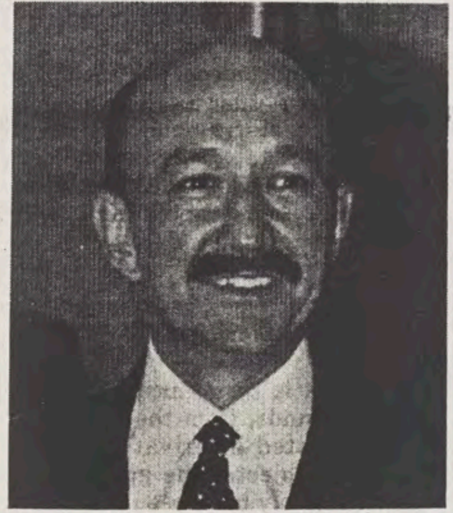
WASHINGTON, D.C.: If you want to know who expects to benefit from the North American Free Trade Agreement (NAFTA), just look at who's paying a bundle to ram the treaty through Congress.

It's not U.S. workers or labor unions who are hiring lobbyists and PR firms and organizing a promotional blitz behind NAFTA. It's the Mexican government and multinational U.S. corporations.

These NAFTA boosters are putting up so much money, and bombarding Congress with so many hired guns, that the labor movement and other opponents of NAFTA are in danger of getting blasted off the battlefield.

The Center for Public Integrity, a Washington-based, independent, non-profit organization, investigated the pro-NAFTA campaign. Its findings were detailed in The Nation issue of June 14 by Charles Lewis, the Center's founder and executive director, and Margaret Ebrahim, senior associate. Here is some of what they found, based in large part on reports required by the U.S. Justice Department.

- The Mexican government spent about $18 million on NAFTA lobbying in Washington during 1991 and 1992, and will spend about $10 million this year, most of it through a Washington office headed by a Mexican businessman recruited by President Carlos Salinas de Gortari.



CARLOS SALINAS
. . . Pushes NAFTA.

- Mexico's NAFTA office has hired more than 30 former U.S. government officials, cabinet officers and congressional staff members who are now members of Washington lobbying firms.
- A Mexican organization called the Coordinating Council for Export Business (COECE), created in 1990 to promote NAFTA, has taken about 50 congressional staff members on trips to Mexico and made hundreds of contacts with Senate and House staff members in Washington.
- Hundreds of major U.S. companies are crusading for NAFTA, along with the U.S. Chamber of Commerce, Business Roundtable, National Association of Manufacturers, and other business groups.
- The leading business coalition working for NAFTA is USA*NAFTA, formed last October by the chief executives of Eastman Kodak and American Express. USA*NAFTA's members include many of the companies that have set up more than 2,000 maquiladora plants in Mexico that are taking the jobs of U.S. workers. * ●

*** A list of members of this group appeared in the May 17 issue of The SPOTLIGHT, the special NAFTA issue. The May 24 issue carried a list of additional members. See the ad on page 23 for details on ordering the NAFTA issue.**

The United States has agreed to join Mexico in a joint venture to clean up the pollution on the Mexican Border. This was caused by the companies who left the United States to take advantage of the slave labor wages in Mexico, and the lack of any environmental protection. They dumped the American Workers, have now seriously polluted Mexico, and now guess who is going to pay most of the cost.

Mexico has agreed to pay 15% of the expense. Guess who pays the rest!

This at a time when we claim we do not have the money to clean up places in our own nation.

The following excerpts are from Ross Perot's Sunday Night Television and Radio Program.

Lowered Standards of Living

The best paid workers in the United States are in manufacturing. During the 1980s, we lost two million manufacturing jobs to Asia alone, and the people who lost their jobs were making $440 a week. If those people have a job today, they're now making about $270 a week.

This type of gross mismanagement of our country caused four out of five families in our country during the 1980s to reduce their standard of living, and this means a reduction in their ability to pay taxes at a time when we are adding trillions to our debt. Washington may not get it, but I'm sure you do.

Made in the U.S.A.?

600,000 manufacturing jobs have already gone to Mexico from the United States. Throughout our country, many manufacturing plants have been closed as a result of this exodus.

In order to be a world leader, we must be a manufacturing superpower. Today, look at this chart. Our great country has more people working in government at the local, state and national level than it has working in manufacturing. In order to remain a superpower, we must manufacture here, so that we can, when necessary, make the military equipment to defend this great country.

"Yes You Can, in Yucatan"

Let's look at the Mexican advertising campaign already underway to attract United States factories to Mexico even though the agreement has not been signed. These three ads appeared in World Trade Magazine. Let's look at them one at a time. Here is an American executive scratching his forehead saying, "You cannot cut labor costs 300 percent in 90 minutes." And right below it, it says, "Oh yes you can, in Yucatan," a part of Mexico. And then it talks about cheap labor. That's the message coming straight from Mexico before the agreement is signed.

Here's another one. Here's a man in his vest, scratching behind his ear. Everybody seems to be scratching. He says, "I can't find good, loyal workers for a dollar an hour within a thousand miles of here." Well, I hope he can't. It says, "Oh yes you can, in Yucatan," and explains how you can get the cheap labor once this agreement goes through.

Now here is kind of what it goes down to right here. Here is another executive. Now he's, got his hand on his forehead again. He says, "I can't keep my labor costs down, my turnover rate low and my" — he means "his" — "standard of living high." And they say, "Oh yes you can, in Yucatan." You just take it all out of the worker's hide at a dollar an hour.

Now, nobody deserves to be as lucky as this. They've laid it on the line what this agreement is all about and if you and I sit here complacently, it will create that giant sucking sound I've been talking about.

Is This The American Dream?

Let's just talk about one manufacturing company that used to be in Paterson, N.J. The people who worked there were good citizens doing a good job. The company was sold in 1986 in a junk bond deal. The factory was moved to Mexico in 1989. The New Jersey workers are still out of work; the Mexican workers live in squalid poverty. The company's profits went through the roof. The stockholders cashed in and made all kinds of money. And the United States chairman of this company lives in a mansion in California, in contrast to the people out of work in Paterson, N.J., and the Mexican workers living in cardboard shacks in Mexico.

If this is capitalism for the 21st century, I don't want any part of it and I don't think you do either — and it's not capitalism for the 21st century. This is pure greed. This is like the leveraged buy-outs in the 1980s.

Is Your Job next?

The purpose of our program tonight is to alert millions of hard-working Americans that your job is being placed in jeopardy by this agreement. Surely, you don't question the risk because you've already witnessed the collapse of entire communities when factories have been closed. Those two million jobs that went to Asia caused a lot of hurt here. You know how difficult it is to get a new job. You relate to the worker who said, "I did not quit my job. My job quit me." You understand how it devastates a family to lose its home and not be able to send its children to college because the parents have no work because the company moved overseas.

As the owners of this country, you surely must understand that we cannot enter into an agreement of this type while we are four trillion dollars in debt. If we do, we will lose the ability to pay the taxes to pay our nation's bills. Never forget, millions of ordinary people have something far more powerful than the lobbyists' money — you have the vote. Millions of us working together can stop this.

* * *

Did You See the NAFTA Books Mr. Perot Held Up on TV?

He showed America an actual set of the NAFTA Reprints that *we* have made available. You can get a single copy for $21.95 plus shipping, or copies in bulk for as low as $10.00 each. Don't pay Uncle Sam $41.00. Call Toll-Free now, (800) 888-9999. Please also note the information in this paper.

Take Action Now

A week ago I told you that the White House needed "Adult Supervision!" Sad to say, they now have it in the likes of David Gergen. He is the ultimate Washington, D.C. insider who, as the Associated Press reported, "...sits on The Council of Foreign Relations and The Trilateral Commission." Those are not government agencies. They are the elite Rockefeller, International Banker, and Industrialist policy think-tanks. They are the fronts for the big money people who are ruining the country with inept policy ideas that magically become laws.

Let Them Know We Can't Be Fooled! Help Us Spread The Word

Please send your donation to: *For the People*, 3 River Street, White Springs, Florida 32096. (As we do not have a method to separate the funds, all donations go to the general fund that pays the bills.)

Please take action today on this—*NOW*—while you're thinking about it!

Thanks again,

Chuck Harder

For the People
Telford Hotel
3 River Street
White Springs, FL 32096

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Volume II, Number 6 (Publication Date: 4/14/93)

Monday, April 12, 1993

Special NAFTA Edition

For the People...
News Reporter®

Dangerous Times Ahead For Entire Nation

By **CHUCK HARDER**
Special to For the People
April 7, 1993

WHITE SPRINGS, Fla.—The KEY-STONE COPS couldn't have done a crazier job of screwing up the nation's economy and rigging it for a major pratfall. The only problem is, what's going on isn't funny anymore.

My hunch is that a major economic disaster is in the making, and that it could hit as early as this year. What exactly will happen is anybody's guess, of course, but my prediction is that the stock market will be a falling barometer by this fall, forecasting an economy going into a long winter—something like a permanent depression.

Here are the factors that I see at work, many of which are similar to the events of 1986-87, and which contributed to the crash we predicted on the air *and* in print. (The problem this time is that the positive factors that jacked the economy back up in 1988, following the crash, are now long gone.)

Back in 1986 Reagan had manipulated the economy by allowing banks and Wall Street hotshots to make money by equity stripping via leveraged buy-outs and real estate development scams. The Savings and Loans and other banks, which were sitting on portfolios of old mortgages loaned out at 5 percent, 6 percent and 7 percent years earlier, were having their plates cleaned, because they had to borrow money at 12 percent from the public.

Every day saw a growing sea of red ink. Hot-shot deals with the promise of high returns were a

(See **Harder**, page 11)

'FOLLOW THE MONEY:' Understanding NAFTA

By **PAT CHOATE**
Washington Correspondent
April 9, 1993

WASHINGTON—Recall Deep Throat's advice on how to unravel Watergate: "Follow the money." It's not a bad way to understand the North American Free Trade Agreement (NAFTA).

Mexico has millions of well-motivated and unemployed workers who will be delighted to work for $1 per hour or less. The United States has thousands of employers who will be delighted to ditch their American workers, move to Mexico and hire Mexicans. Dozens of powerful Washington influence peddlers will be delighted—for a high fee, of course—to lobby Congress for passage of NAFTA legislation.

Mexico wins big-time with NAFTA. The deal gives companies from any other country operating in Mexico virtually unrestricted access to the rich American market. The combination of cheap labor, compliant regulators and low corporation taxes will allow companies from Asia and Europe to use Mexico as a low-cost platform from which they can devastate their U.S. competitors.

For the U.S.-based transnationals, the threat of moving to Mexico will be a potent weapon to be used against unions and workers. What is more important, thousands of existing American-based factories will join the 2,200 other U.S. owned companies now operating out of Mexico.

NAFTA is also a winner for U.S. banks. They can establish operations in Mexico, take equity positions in deals (something out-

(See **Money**, page 9)

Pact a 'Done Deal,' Canadian Official Says

By **RICHARD LERNER**
The Desert Sun
March 10, 1993

CATHEDRAL CITY, CA—A Canadian diplomat said Tuesday his government does not want new negotiations on the North American Free Trade Agreement to satisfy U.S. demands for more protection of the environment and workers rights.

At the same time, the envoy left the door open for separate pacts on those issues so that Canada, the United States and Mexico can implement provisions of the pact initialed by representatives of all three nations last year.

"Canada's approach to the negotiations overall was to achieve an uncluttered trade agreement,"

(See **Canada**, page 11)

— Inside this Issue —

New International Shortwave Frequencies & Times
For the People: 17.830 MHz, 2pm-4pm Eastern
7.315 MHz, 11pm-1am Eastern

Details Inside this Issue, page 2

Jobs Still the Number One Trade Issue

By STEPHEN FRANKLIN and JOHN MACLEAN
Chicago Tribune
February 14, 1993

DANVILLE, Ill.—Long after the company shut the plant, uprooting 390 $10-an-hour jobs and sending them to Mexico and Texas, Jackie Calvin cannot bury the thought: Could she have saved the jobs of the folks who trusted her?

"It does bother me. It does," said Calvin softly.

With 34 years at the plant, she was chairman of Machinists Union Lodge 172 at Danville's Valmont Electric Inc. factory, which let its last production worker go in December.

Pleading hard times and citing competitors paying one-tenth as much to Mexican workers, the company wanted a 40 percent wage cut and a three-year wage freeze. The union found $1.6 million in savings. But it was not enough to save the 46-year-old plant and its work force of mostly middle-age women, veterans of 20 or more years.

Today, a prairie wind whistles by the abandoned factory in this blue-collar town.

The same fate may face thousands of other workers if the government goes ahead with one of the most sweeping adjustments of U. S. trade rules ever.

Congress this year is widely expected to vote on the North American Free Trade Agreement negotiated last year by the Bush administration, a pact that would tie together the advanced economies of the U. S. and Canada with the growing but far less developed economy of Mexico.

Trade between the U. S. and Mexico has been accelerating anyway, ever since Mexico began liberalizing rules and lowering tariffs for its once virtually closed economy beginning in the mid-1980s. The reforms began under former Mexican President Miguel de la Madrid, then greatly accelerated after Carlos Salinas de Gortari became president in 1988.

And jobs have been heading south for 25 years under the maquiladora program, which gives special trade concessions to foreign companies manufacturing mainly in northern Mexico for export.

All three North American governments want the new agreement, which they hungrily expect will bring new jobs, businesses and investments to each. For the U.S., increased trade with Mexico already has saved high-skilled, high-paid jobs in sectors such as heavy equipment, which the Mexicans have been buying in huge amounts to transform their country into an industrialized one.

Still, as the barriers come down and some businesses do go to Mexico, the nation will be hearing from more Jackie Calvins and more Danvilles.

How deep and far-reaching will the consequences be?

Though the answer will come in stages—NAFTA is designed to cushion losses by lowering some barriers over periods as long as 15 years—it should fall somewhere between the extremes: Neither will factories race en masse to Mexico, nor will a nirvana be created in which exporters flourish, thousands of high-paying jobs are created and laid-off workers readily start anew.

The worst-case scenario, as predicted by the Economic Policy Institute, a liberal Washington think tank, sees 550,000 U. S. jobs vanishing by the year 2002. That prediction, however, is at odds with government estimates of a net gain of 175,000 jobs by 1995, and the recent prediction by the U. S. International Trade Commission that U. S. employment would grow by less than 1 percent over the long term.

And some work in Mexico is also likely to move to the U. S. By opening the Mexican market to U. S. corn products, the agreement is likely to uproot thousands of Mexican farmers, sending some across the U. S. border—even though one of the goals of the agreement is to slow the growth in illegal immigration from Mexico by creating jobs there. This will stir the competition for low-wage jobs.

Bob Cohen, an economist with the Economic Strategy Institute, another Washington research group, offers a more encouraging view of NAFTA's early years. As many as 135,000 new jobs will be created annually in the first four years, followed by a spurt reaching as high as 220, 000 new jobs yearly, Cohen said.

By 2002, however, the trend will go the other way, he said. Instead of new jobs in machine tools, telecommunications and heavy-equipment production, there will be losses in auto parts, small-car production, the apparel industry and meat and poultry processing. The job losses may total 220,000, he says.

Institute economists also say the Great Lakes states are most vulnerable because the region has many auto-related jobs of the sort that can be transferred.

"The only industries that will be able to stay here are those with ultra-high skills," said Pat Choate, a Washington economist." Once there is an agreement, and there is guaranteed safety for companies, you'll see a stampede. It will be like the Oklahoma [land] stampede. "

Lost jobs are not the only problem for labor. Wages are likely to tumble, experts say, as companies pressure their employees and unions to compete against workers abroad who get a fraction of their wages. Mexican factory workers earn $2.17 an hour in wages and benefits, compared with $11.18 in wages alone for their American counterparts.

One-fourth of the companies polled last fall by the Roper Organization for The *Wall Street Journal* said they are likely to use NAFTA as "a bargaining chip to keep down wages in the U. S." Forty percent of the companies also said they are likely to shift some production to Mexico.

So far, taking wage cuts has proved only a short-term reprieve for some workers facing Mexican competition. Although workers for Zenith Electronics Corp. in Springfield, Mo., took pay cuts in 1987 in return for a vow to preserve their jobs, the company said business conditions had worsened last year and shifted the work to Mexico.

The Zenith workers are the kind who seem to have the most to lose—the same kind who have lost before. Experts say the electronics, auto parts, telecommunications, furniture and textile and apparel industries are most likely to shift production south.

These are the industries that have expanded the most in the maquiladora or free-trade zone in Mexico, where about 500,000 workers are employed by 2,500 companies—two-thirds of them linked to U. S. companies, ac-

(See **Jobs**, page 9)

About Our Change on Shortwave

At approximately 2am Central Standard Time on Sunday Morning, April 4, 1993, the transmitter building and equipment of For the People's Shortwave affiliate station, WWCR (7.435 MHz) Nashville, caught fire and burned to the ground.

Firemen on the scene attributed the blaze to faulty wiring upon preliminary investigation, although at presstime, the cause was still undetermined.

No foul play is suspected at this time.

After a frantic day of searching and negotiations with the domestic shortwave broadcasters, "For the People" has found a new home for our broadcast.

For the People has been experimenting on several different shortwave frequencies, with transmitters at several points around the nation.

At presstime, For the People was being carried Live, 2pm-4pm Eastern as well as on tape, 11pm-1am Eastern on the frequencies listed on the front of this issue. •

For the People News Reporter
A Biweekly Newspaper

Volume II, Number 6

For the People's *News Reporter* is a member of and subscriber to the United Press International and Knight-Ridder/Tribune Newswires.

News and Production Headquarters:
3 River Street, White Springs, FL 32096
Phone (904) 397-4145 Fax (904) 397-4149

CHUCK HARDER, *Publisher*
and Chief Executive Officer

RICHARD D. OSBORN, *Executive Editor*
and Senior Writer

NOEL D. JACOBY, *Deputy Editor*

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Testimony by Ross Perot

To the House Small Business Committee
March 24, 1993

The North American Free Trade Agreement must be carefully evaluated.

First, I suggest that we focus on our financial situation in the United States.

—Our country is four trillion dollars in debt.
—We have gone into debt an average of one trillion additional dollars during each of the last three presidential terms.
—President Clinton's forecasted plan will place us another one trillion dollars into debt.
—We go an additional one billion dollars into debt each working day.
—We have gone over $145 billion into debt just since election day.
—Our manufacturing base is declining.

We exported over two million manufacturing jobs to Asia alone in the 1980s.

—Factory workers making $440 per week who lost their jobs, are now making $270 a week—if they have a job.
—The standard of living has gone down for 4 out of 5 American families during the 80s.
—In 1950, U.S. workers made 15 times as much as Japan and 4 times as much as Germany. Today, both countries are ahead of us.

In 1950, a dollar was worth a dollar. It is now worth 18 cents.

Businesses in our country carry a number of economic burdens.

—We pay manufacturing workers ten times what they make in Mexico.

The minimum wage in the U.S. is $4.25. The Mexican minimum wage is 58 cents.

—The single most expensive item in making a car in the U.S. is health care.
—Our companies spend a great deal on retirement, workers compensation, life insurance and many other benefits.
—The recently-passed employee leave bill adds to the cost of manufacturing.

> ***"The Salinas administration and its many lobbyists in Washington have fashioned what appears likely to be one of the most elaborate efforts at political persuasion ever undertaken in America by a foreign country."***
>
> **—New York Times**
>
> ***as quoted by Ross Perot***

Our number of manufacturing workers is declining. We now have more people working in government at all levels than in manufacturing.

The top job growth categories in the 1980s. in our country were janitor/cleaner, food preparation worker, and cashier—none of these jobs pay enough to support a family.

We have a history of one-sided trade agreements, where our nation and our people are placed at a distinct disadvantage.

Entire industries have been lost overseas as a by-product of these agreements. Companies, cities and regions of the country have been damaged.

We cannot pay our bills, balance the budget, and pay down our debt if our worker income base is deteriorating. We need a growing, dynamic income base which gives us a growing, dynamic tax base—instead, at this critical time, our job and our tax base are deteriorating, because of past poorly conceived trade agreements and an adversarial relationship between government and business in our country.

Our successful competitors have an intelligent, supportive relationship between government and business. Their trade agreements benefit their people.

Perhaps the core question is, "How does a company in the United States with all of the requirements and mandates placed on it compete with 58 cent-an-hour labor?"

The capitalist's or investor's view of this agreement can best be summed up by a prospectus of an organization called Amerimex, created by Nafinsa, Mexico's largest state-owned development bank and the Warwick Group of New York.

The plan was to raise approximately $50 million initially to buy U.S. companies that are labor intensive and marginally profitable.

—The stock of those companies could be purchased at a very attractive price.
—The company's manufacturing operations would then be relocated to Mexico to take advantage of the reduced labor costs.

To quote from the prospectus:

"We estimated that manufacturing companies that experience fully loaded gross labor costs in the $7-$10 range in the U.S. may be able to utilize labor in Mexico at a fully loaded gross labor cost of $1.15 to $1. 50 an hour . . . This could translate into annual savings of $10,000 to $17,000 per employee, creating a dramatic increase in profitability."

—The stock which had been purchased at a low price could then be sold at dramatically higher price, as a result of moving the labor to Mexico.

The characteristics of these companies are—

—Low to mid-range technology manufacturing.
—Moderate to good growth.
—With sales in the range of $10 million to $100 million.
—Excellent management and sales teams willing to remain with the company.
—Proven products.
—A labor component of 20%-30% of the cost of goods sold.

U. S. companies meeting these criteria employ 8.6 million workers. 5.8 million production workers meet these requirements.

The next question you might logically ask is when would these companies be sold?

To quote again from the prospectus, "It is anticipated that most investments will be limited from 3-8 years, but some investments may be realized early or later."

To me, this prospectus, which has now been withdrawn by Mexico because it so clearly summarized the impact of NAFTA on the U.S., is the most succinct summary one could make of the adverse impact of NAFTA on the U.S. workers, and the U.S. tax base.

Both Mexico, the U.S., and U.S. companies have waged a huge lobbying effort. An article in the *New York Times*, August 13, 1992, sums it up.

People in key positions on the 1992 Presidential campaign have been retained as Mexican lobbyists.

A former chief U.S. trade negotiator has been retained by the Mexican government and is being paid several hundred thousand dollars a year for his services.

To quote the *New York Times*:

—The Salinas administration and its many lobbyists in Washington have fashioned what appears likely to be one of the most elaborate efforts at political persuasion ever undertaken in America by a foreign country.

—A Mexican official said, "We are going to be launching a strategy of being in almost the entire United States, meeting with the editorial boards of local newspapers, meeting with business chambers and talking with other people," an official continued. "The intensity of our campaign will be much greater than it was with the 'fast track.'"

(See **Perot**, page 4)

Perot, from page 3

Let's look at a few facts:

Northern Mexico is rapidly becoming the newest American industrial belt. Nearly 600,000 jobs have been located in Mexico that in the past might have been in the United States.

Mexican workers can match the skills of 70% of the labor force in the United States.

To maintain the low wages that draw American companies to Mexico, President Carlos Salinas de Gortari has gotten commitments business and union leaders t raises.

It could be years before the with American wages nar- ws significantly," said John earlman, Chairman of the Ze- ith Electric Corporation, which as 20,000 employees in Mexico.

An automobile engine plant's employees are a cross section of the new work force.

—100 are licensed engineers — earning $1400 a month on average.

—A U.S. engineer just out of college commands a $25,000 to $30,000 a year as a starting salary. By comparison, a Mexican graduate engineer expects to earn $400 a month—$4,800 a year — at one of the factories upon graduation.

—The 700 production workers are high school or technical school graduates, hired for the assembly line at $1.55 an hour. U.S. auto workers are paid $16.00 an hour.

—Workers at an assembly for export plant in Juarez are paid 58 cents an hour, Mexico's minimum wage.

—The Confederation of Mexico Workers (CTM) has been less aggressive in demanding raises for workers. Mexican workers' salaries fell 65 percent in real terms during the 1980s.

—In one strike concluded in 1990, dozens or workers were shot and injured by State Police. The plant was shut down. 2,000 workers were fired, and those who remained had a 45 percent pay cut, from $2.64 to $1.45 per hour.

—14,200 plant workers were fired and the union dissolved, former union leaders signed a new contract, again without consulting the workers.

—Assembly-line workers at this plant now make about 9 percent of the $16.12 hourly base wage of their American counterparts. Their daily wage of $11.60 does not cover food and housing costs for a family of five, estimated at $15 a day.

—Mexican workers are in even worse trouble if they are injured on the job — the law limits workers' compensation for injuries to $10,127.

—Death benefits are capped at $6,720. In one situation, the life insurance policy paid $650 and a $23-a-month pension.

—Four employees of a marine outboard engine plant were fired last April after they circulated a petition seeking better conditions.

—All four, including a 10-year employee, earned Mexico's 58 cent an hour minimum wage.

—Blue collar jobs now pay only 3.4 percent more than they did four years ago, while inflation was almost 12 percent in just the past year.

—A Mexican worker, employed by a major U.S. company, who suffers from skin lesions over most of her body, says the sores disappear whenever she takes leave from her job at an assembly plant. Her sick pay is $2.26 a day — not enough to feed her two sons.

—Many Mexican workers with U. S. companies cannot qualify for government housing credits and instead scavenge cardboard and trash to build homes. To buy a low-income house, a minimum wage earner would have to work 200 years.

We have heard a great deal of talk about creating jobs such as building factories and selling machine tools to Mexico.

Think it through. These are one-time jobs. Wouldn't we be better to have the factories here, employing people for several decades rather than having one-time jobs building factories.

The NAFTA Agreement was created before President Clinton took office. Our new President and his chief Trade Negotiator's challenge is to finalize the NAFTA Agreement that was presented to them when they took office.

As I understand it, the Congress is not allowed to make changes to the Agreement, and can only make an up or down vote. I am confident that both the President and Mr. Kantor will work to assure that the Agreement is fair and that the interests of the American people are protected. This has not been our pattern as a country in the past, and has resulted in significant damage to both our country and its people.

The core question is how do we work out the problems that are fundamentally driven by a huge gap in pay. Obviously we cannot implode our job base and tax base at this critical moment.

—We can either delay the NAFTA agreement or ratify it and try to work out these problems with supplemental agreements.

We lose all leverage once we have ratified the agreement. In all probability these basic problems will never be satisfactorily resolved, and will create stress between our countries.

I realize that this approach is not what Mexico would like. Mexico is our friend. President Salinas has done a brilliant job in rebuilding the country. We must continue to work closely with Mexico. In doing so, we must be particularly sensitive not to impact Mexico's sovereignty.

A number of items currently being considered to be included in the supplemental agreements would be very unattractive to Mexico and should be avoided.

—For example, one proposal to monitor Mexico's elections would create great stress between our countries.

—Mexico has accurately pointed out that we are trying to subject them to much more scrutiny than our other trading partners.

—President Salinas has warned that this current debate could damage U.S./Mexico relationships if our discussions do not respect Mexico's accomplishments and intelligence.
He is right.

—Some of our environmental demands include a trilateral commission to inspect and make sure environmental standards are met. This will be offensive to Mexico.

President Salinas has promised the Mexican people that the sovereignty of the country will not be damaged in any way by free trade. We need to be very sensitive to this issue.

There is a great sense of urgency in Mexico to have the treaty ratified and put in effect before the Mexican Presidential elections next year. All of these concerns by the Mexican government and its leaders are legitimate.

We must weigh all of these issues and determine an appropriate course of action. The fail safe course of action would be —

—To respectfully go to our friends in Mexico.

—Point out that we have a new President and a new government.

—Explain that we need time to carefully analyze this complex agreement.

Tell them candidly, but respectfully, that we see that it would be poor strategy to ratify the agreement and then try to correct its deficiencies with supplemental agreements which may or may not ever materialize.

—Openly explain the problem of losing wages and taxes in our country at this critical time.

—Form a task force and intensively work together to form an agreement that will be in the best interests of both countries.

—Propose a multi-year pilot phase to allow both countries to test this agreement to see that it works as planned.

—Have provisions in the agreement that allow the agreement to be altered and improved based on the actual experience of this pilot program.

—Have a clear understanding that either nation may decide to cancel this agreement, if in its judgment, the pilot program is not successful.

I realize that my testimony here will not be welcome by many in U. S. business, and our friends in Mexico.

Basically, Mexico has some of the least costly workers in the world. Our country has the world's most productive work force, but it is expensive. Our workers will lose, because of the wage difference.

Our country will also incur a tremendous loss in taxes at a time when we need a growing tax base.

Economic models have been developed showing that this is a good plan. These economic models make a number of unrealistic assumptions, such as—

—Full employment assumption—anybody losing a job immediately gets a new job.

—That is not the way it works.

—Just look at the 1980s.

In summary I would recommend that we proceed with care and work out the treaty to our mutual satisfaction before ratifying it.

•

FROM RECESSION TO DEPRESSION: The Coming Chaos Could Cost Up To 25 Million Jobs

By **RICHARD D. OSBORN**

Special to For the People

In order to understand the state of the American economy today—and how best to fathom the twisted thinking of the elite on Wall Street and in Washington, as well as to protect yourself and your family in the coming months—it is necessary to know two things: First, what the Wall Street and Washington Crowd are calling a recession is in fact a **dangerous depression**. Second, *this* depression, unlike the Great Depression of the 1930s, offers no easy escape hatch for quick recovery. (In the 1930s, for example, the nation was not saddled with a huge national debt, nor was it as deeply entangled in internationalism as it is now.)

Today, not just the United States but the entire industrial world is in deep trouble and under severe economic, social and environmental stress. Wall Street insider Robert Prechter has his detractors, especially among New World Order types, and their free-market fellow-travelers, but there is probably no one alive who has studied economic waves and trends more carefully than he has. It is Prechter's carefully considered opinion that the economy in the United States, not to speak of most of the rest of the industrial world, is headed for collapse. That's right, collapse. It's that simple.

For him, the 1987 Crash remains a defining moment—the prologue to an economic calamity of extraordinary dimensions....

The only uncertainty in Prechter's mind is the exact timing of the collapse. "It could come at any time now," he says. "...The long bull market has made a whole generation of investors forget how swift and mean bear markets can be."

* * *

Under Elliot Wave Theory, the stock market is supposed to be the first domino to fall at the end of a Supercycle. But not this time. According to Prechter, the latest recession was actually the beginning of a slow-developing depression. Consequently, the current recovery is merely a "counter-trend rally in a bear market" that will fall off the cliff once the stock market begins its collapse. "...The economy is going to be such a disaster over the next four years that the reputations of Clinton and the Democratic Party may be irretrievably destroyed. I wouldn't be surprised to see a new, third party come to the fore."[1]

It is Prechter's position that, without qualification, "the days of the Great Bull Market are numbered. **A depressionary abyss yawns dead ahead**."[2] [Emphasis added.]

Robert Prechter, of course, is not the only respected expert to see grave trouble developing. James Dale Davidson and Lord William Reese-Mogg, in their excellent new book, *The Great Reckoning: Protect Yourself in the Coming Depression*, see what is happening as part of a long-wave of history stretching back 500 years. They see the events that are unfolding in this country as part of a much bigger picture involving Western Europe and a number of other industrial countries.

According to Davidson and Reese-Mogg, we are just now moving into the "...final depression of the twentieth century."[3]

The end of the postwar world is more than the eclipse of a single economic power, America, or the collapse of state-dominated economies. These developments, far-reaching in themselves, appear to be coinciding with the twilight of another, much longer phase of world history. The Atlantic centuries, five hundred years of unprecedented progress during which the world has been dominated by European powers and their successors, may also be nearing their climax. Not only may financial and manufacturing predominance be taken up by a non-Atlantic power—Japan—but the underlying conditions that precipitated the great explosion of modern progress may themselves be coming to an end. A millennium that has witnessed ever-accelerating technical change seems destined to end in dramatic fashion. A shift in the technology of power brought about by the microchip may profoundly alter the organization of life.[4]

* * *

Even those who write for the mainstream press, and who feel they must be careful not to offend advertisers or unduly alarm the unsuspecting, are beginning to sense that there is something terribly wrong in our society and that it just may be time to start talking about it.

Columnist Richard Reeves, for example, who writes for Universal Press Syndicate, stated the following recently:

> In this New World Order, what is it that we cannot bear to think about now? The unthinkable now is that there will not be enough work to go around. There seems to be pain only in thinking that the undereducated, often alienated young people, some of them terrorizing cities such as Los Angeles, will never have a real job, never be accepted enough to have a stake in the larger society.
>
> **There is a looking away from the fact that many of the men and women losing jobs in their 50s or 40s are now, for all practical purposes, forever unemployable.**

"A decade ago, Americans earned higher wages than anyone else in the world," said Bill Clinton as he campaigned for president. "Now we're 10th, and falling...."[5] [Emphasis added.]

If such realizations seem too gloomy and leave you turned off or feeling helpless, remember that there is survival value in being realistic. For many Americans, the temptation is to turn away. Hope and help, however, lie in confronting reality and plotting a course of problem-solving action.

There is still time for this country to avoid the abyss toward which it is plunging, but a realistic course-change is not going to happen unless ordinary people, at the grass-roots level, put intense pressure on their political representatives and make it happen.

Understanding the Problem

The first step is to understand the problem. The next step is to know what must be done to put the country on a corrected course. This article is about both step one and step two—about the problem, as well as what can be done.

One of the reasons we are a nation in decline is that far too many corporate leaders have an "attitude" about the people who make up their work forces. This is especially true of multinational corporations where there is no concern for the economic, social or political well-being of the various "host nations" in which they operate.

People who study and/or recruit workers for these corporations call the people they seek out for labor contracts "throwaways," or other derogatory names. According to Peter T. Kilborn, writing in the March 15, 1993, issue of the *New York Times:* "Employment agencies call them contingent workers, flexible workers or assignment workers. Some labor economists, by contrast, call them disposable and throwaway workers.[6] In other words, citizens of this nation—you, your relatives, your friends and neighbors—are increasingly perceived by business leaders all over the world as having no more value than so much waste, to be disposed of at will, in the same cold and calculated way that garbage and trash are managed.

Whatever they are called, their numbers are climbing. Federal figures are sketchy, but about half of the jobs people have been getting in the last year are part-time or temporary or involve other unconventional arrangements. That is up from less than a quarter of the new jobs a decade ago.

Most of these new jobs pay less than regular jobs, and few come with good benefits. The standard American job, with a 40-hour workweek, medical benefits and a pension at age 65, is on the wane.[7]

A "Throwaway" Labor Force

According to Audrey Freedman, an economist who works for Manpower, the big temporary-help company, "The labor market today, if you look at it closely, provides almost no long-term secure jobs...."[8] In other words, contrary to the rosy talk coming out of Washington and from those pushing NAFTA (North American Free Trade Agreement), Mexico and other Third World countries are not on the way up, heading for a standard of living like ordinary Americans enjoy—or used to enjoy. Quite the contrary, the United States is spiraling down, and ordinary Americans can increasingly come to expect a standard of living more like the one in Mexico, where poverty, ignorance, and disease are the rule.

If this nation's corporate policy-makers have their way, the companies of the future will have a small core of valued workers making a living wage, with modest benefits and pensions. The great bulk of the American work force, however, will consist of "junk" labor—throwaways and part-timers that can be hired and fired at will, as production demands go up and down. The wages of this "labor"—they will no longer be seen as people—will vary between the minimum and, say, $4.40 to $4.50 an hour.

More and more companies are resorting to using "disposable" labor. What is happening in Toledo, Ohio, is typical of what is going on all across the nation. The size and number of the companies

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Depression, from pg. 5

will vary from city to city, but the basic approach to managing the work force is the same.

> Toledo [Ohio] is home to glass and automobile companies which, while shrinking, are unionized and make little use of contingent workers. It is home, too, to expanding nonunion retail stores, service businesses and small manufacturers that do employ such workers.
>
> State officials report a smattering of offers of very good jobs, requiring high skills and years of experience and paying $12 to $20 an hour, and a surge of offers for low-skill, low-paying jobs.
>
> The area's biggest new employer is the Maijer (pronounced MY-er) discount food and department store chain of Grand Rapids, Michigan. It is hiring nearly 3,000 workers for four giant stores it is building here. Nearly all the jobs are part-time and the pay is $4.30 to $4.40 an hour—5 cents to 15 cents more than the Federal minimum wage.[9]

In Toledo, Ohio, almost all of the permanent-placement employment agencies have been replaced by temporary-help agencies. One of those temporary-help agencies is run by Pete Claus.

> Mr. Claus said some companies in Toledo were using services like his to provide their entire work force. "I call it the new American sweatshop," he said. "It's four people who are owners or managers in a shop that has 200 people. They might have 12 permanent employees who are making $6.50 an hour. All the others are paid $4.75. And they are all temporaries."[10]

There is no way, long-term, such disregard for social responsibility and workers' economic security can benefit this nation or even the corporations doing business here. In terms of national identity, people need to know who they are, where they belong, and what they stand for. How is the throwaway work force being created in this country going to respond in the future to a national leadership that obviously sees it's economic security as having no value?

Nation's Leaders Wrong In the Past

From the perspective of multinational corporations, today's "throwaway" citizens in any given country will almost certainly become tomorrow's disaffected. "...[I]ndustries that strive for quality production run a risk in managing workers this way. The employees have little incentive to give their all when the employer gives little."[11]

Nor, it should be added, may they have any incentive to give anything to the nation, should that once again prove necessary in a national emergency. Our leaders would have us believe that there aren't going to be any major wars in the future. Nuclear weapons, modern technology and the computer chip, it is said, have virtually eliminated that possibility.

Suppose, however, that our leaders are wrong. And it is virtually certain that they are. Remember, these are the same kind of people who kept telling us we were winning the Vietnam War. These are the same kind of people who were telling us they were solving the problems of the nation's inner cities. These are the same kind of people who told us that racial integration would bring black Americans into the national social and economic mainstream. These are the people who did not foresee the collapse of the U.S.S.R. They are also the same people who kept telling us there was no recession. They are the same people who are telling us the recession-that-never-was is now over.

What makes these same people so sure that Japan, for example, will remain peaceful? Or that China, which consists of over a billion people, and whose leaders have recently authorized a large increase in that nation's "defense" budget, will not choose to go on the move militarily? And if either of those things should happen, as well they could, what sort of soldiers would millions of poverty-stricken, ill-educated, "disposable" American citizens make? Just how interested would they be in saving the corporate system that consciously and willfully ground them into poverty?

Look at what is happening right now in what was once the U.S.S.R. President Yeltsin could easily find himself out on the street, or worse. And this nation could very well find itself back in another Cold War.

A Nation Out of Control?

When the Cold War was on, and our leaders feared that ordinary Americans might go Communist, they couldn't do enough to keep educational and living standards high for the white middle class. Now that the Cold War is over, however, it would appear that they could not care less. Their attitude seems to be, "Screw the American worker and his family. If most Americans sink into poverty, ignorance and disease by the millions, so what? They no longer have any place to go, no one to turn to. Now that communism is dead and the 'left' has been totally discredited, we have them right where we want them."

James J. O'Shea is the manager of a Toledo branch of the Ohio Bureau of Employment Services. He is 50-years old and remembers well how it used to be in this country.

> "Opportunity—that's the thing that was here in abundance when I was 18.
>
> "The whole middle of the job market is gone, the $8-an-hour to $13-an-hour jobs. Those middle, family-supportive jobs we've lost."[12]

* * *

What the Wall Street and Washington Crowd, and their international-banker friends, would have ordinary Americans believe is that the nation is in the grip of four overwhelming forces over which no one has any control. These forces are (1) global competition, (2) technology, (3) downsizing and (4) the runaway growth of a "throwaway" work force.[13]

To say that this country can't control these four forces is, of course, nonsense. Such talk does, however, make a compelling argument if you favor ideas such as NAFTA (North American Free Trade Agreement), a global economy, a New World Order, and so-called "free trade."

Code Words and Political Puppets

NAFTA is nothing more than a money-making scheme designed to enrich the international bankers and the Wall Street Crowd. As Katherine S. Petty points out in a recent article in the *South Bend Tribune,* "The stubborn truth is that NAFTA is an investment treaty, not a free-trade pact. It is the last piece of an economic package that has investors worldwide drooling."[14]

The phrase "global economy" is little more than "code" for a world run politically by the United Nations. Characters like Boutros Boutros-Ghali, Secretary General of the United Nation, however, are little more than front men for the banking crowd and the one-worlders operating out of New York and London.

Boutros Boutros-Ghali is an Egyptian. He is also, however, an American puppet. The fact that, behind Israel, Egypt is the second largest recipient of "foreign aid" from the United States is no accident. The so-called foreign aid going to Egypt never reaches the people of that country. That handout is in fact nothing more than a huge bribe, to keep the elite that runs Egypt in line with American foreign policy in the Middle East, where hatred and turmoil have been churning since the dawn of history and where they will no doubt churn until the end. The bribe paid to Egypt's elite is, of course, paid for by American taxpayers. Why, one might ask, should it be necessary for Americans to bribe people in the Middle East to do what they ought to have enough sense to do for themselves?

"Free trade," a great sounding idea, is little more than a code phrase for a scheme to force ordinary Americans to compete with cheap labor abroad—something they cannot do while at the same time maintaining a respectable standard of living. You can have a so-called free-market and a global economy, or you can have a strong, prosperous U.S., with a high standard of living (supported by high work standards and a survival-oriented value system), but you can't have both.

Fear and Anger

As G. Pascal Zachary and Bob Ortega point out in their excellent *Wall Street Journal* series, "Down the Up Escalator: Why Some Workers Are Falling Behind":

> Every day, headlines offer new evidence of the age of angst [anxiety, insecurity]. Last Friday [March 5], the February unemployment figures were released showing a huge gain in new jobs—a gain owing entirely to part-time or temporary positions generally paying low wages and offering few or no benefits.[15]

Poor working conditions generate dissatisfaction and anger. Those who think the growing frustration and hostility seeping into the very souls of ordinary Americans will go away need to think again. The dark forces of fear and hostility increasingly shaping the American psyche are real, and they are growing in intensity.

> Statistics depicting stress abound. The number of adults living with their parents has doubled to 12% of the 25-to-34 age group, from 6% in 1960. Only 15% of workers displaced in the past recession expect to return to their former jobs, compared with an average of 44% in four previous recessions, according to an analysis of government job data by Harvard economist James Medoff, who regards the lower expectations as realistic. **"Today, people who lose their jobs are history,"** says Mr. Medoff.[16] [Emphasis added.]

President Clinton would have ordinary Americans believe that his primary interest in the former U.S.S.R. is political, that is, that he is concerned about whether the Russians have democracy. Nonsense. What he's really trying to do is open up the area to the Wall Street Crowd, so that they can loot that country like they are looting our own. (When the Washington crowd talks about "freedom," they are not talking about individuals involved in representative government and in control of their own destiny. They are talking about multinational corporations and the "right" to loot and plunder.) As G. Pascal Zachary and Bob Ortega point out in *The Wall Street Journal*:

> No relief is in sight. Global competition for jobs, for example will become more intense because of the Cold War's end and China's move to a market economy.
>
> "It's not widely recognized how enormous this effect is," says Milton Friedman, the Nobel Prize-winning economist. "You've got a billion people in China who suddenly are available for use with capital. You have half a billion behind the [former] Iron Curtain."
>
> Latin America still beckons, with or without a free-trade pact. Employers of vegetable packers in Mexico, for instance, "pay workers less for a day than they paid us for an hour," says Yolanda Navarro, laid off two years ago as a packer in Watsonville, California.[17]

Disappearing Middle Class

The pain from wage competition isn't hurting just American blue collar workers. American professionals are starting to feel the pinch, too. Corporate leaders

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Depression, from pg. 6

are hiring engineers and computer programmers, for example, from a host of foreign countries, including Ireland, Russia, India, Singapore, and Malaysia. Sometimes the foreigners work in the U.S. legally. Sometimes they don't. "The country's 500 largest manufacturers have slashed nearly four million jobs since 1982."[18]

The damage being done is not limited to the nation's basic industries. The "service sector" is being hit, too. Last month, BankAmerica, for example, began laying off thousands of workers. In addition, it plans to turn 1,200 more jobs into part-time positions. By the time the cutback is complete, only 19 percent of the banks employees will be full-time help. The rest of the staff, approximately six out of ten, will be part-timers, working less than 20 hours per week. These part-timers will receive no benefits, that is, they will have access to neither a health-care package nor a pension package.[19]

How some top employers have cut jobs

While the economy as a whole has been growing, many of America's biggest corporations, which are listed each year in the Fortune 500, have been downsizing their operations. Selected companies' employment and some layoff announcements from recent years:

Company	1980	1985	Current*	Some announced layoffs
General Motors	517,000	529,000	360,000	■ **Dec. 1991:** Thousands to lose jobs in 21 plant closings in next few years.
Ford Motor	187,000	154,000	142,000	■ **May 1991:** 250 laid off in cost-cutting effort.
General Electric**	402,000	292,000	268,000	■ **May 1991:** 1,800 to lose jobs due to defense cuts, recession.
International Business Machines**	355,000	406,000	301,000	■ **Dec. 1992:** 25,000 to be laid off in 1993 in consolidation.
Amoco	44,620	38,943	34,913	■ **July 1992:** 8,500 domestic/foreign workers to be laid off by end of 1993.
Boeing	109,098	104.097	132,600	■ **Feb. 1993:** 28,000 to lose jobs by mid-1994 through layoffs and attrition.
Chrysler	76,711	84,804	91,554	■ **June 1991:** 360 laid off due to demise of Jeep Grand Wagoneer.
Caterpillar Tractor	62,461	37,753	37,228	■ **Dec. 1991:** 9,800 jobless due to strike, lockout or layoffs.
Westinghouse Electric	123,400	108,350	89,400	■ **Oct. 1992:** 1,400 laid off due to cuts in defense spending.

SOURCES: Chicago Tribune, company reports, news reports *Latest available from late 1992 or early 1993 **Figures are worldwide

3/22/93 KRT Infographics

BankAmerica has reported record profits for the last two years. Company executives who were questioned about the new staffing policy limited their comments to saying that they were simply going for even more profits. According to Karen Nusbaum, as reported in the *Wall Street Journal*, "Inevitably though, the moves will transform middle-class tellers into 'working poor' by 'turning full-time work into marginal jobs that barely keep families afloat.'"[20]

Those who track the meaning and implications of the New World Disorder are aware of what is happening to the American economy. The great bulk of ordinary Americans, however, although they surely sense that something is terribly wrong, still have no clear idea of the devastation that is coming.

> ...After spending years at one company, more American office and factory employees are getting transplanted overnight to a temporary or sub-contracting nether world. They do the same work at the same desk for less pay and with no health insurance or pension benefits. Others are farmed out to an employment agency, which puts them on its payroll to save the mother company paperwork and cost.[21]

What Government Isn't Saying

It's one thing for the economy to be picking up jobs, although the actual number of new jobs being created is not all that great. It is something else entirely, however, to understand just what kind of jobs the new positions are.

Between 1982 and 1990, temporary-help employment grew at a rate that was a full ten times the rate for the economy overall. Last year, of those jobs generated in the private sector, approximately two-thirds were temporary.

The federal government took no small amount of pride last January in announcing a big increase in employment. What that same government didn't tell the American public, however, is that "...the big rise in new jobs this January came almost entirely from temporary and part-time jobs. When taken together, temporary, contract and part-time workers now make up about 25% of the work force."[22]

What's going on? Why is corporate America—national but especially multinational—treating its employees in this short-sighted, destructive manner? According to the *Wall Street Journal*, the answer is simple: "...Increased global and domestic competition is prompting companies to cultivate a just-in-time, bare-bones and cheaper work force. Contingent ["throwaway"] workers cost an estimated 20% to 40% less than core employees.[23] The country be damned. Do whatever you can get away with or whatever is legal in order to enhance profits.

Not since the days of the Great Depression of the 1930s has there been such pressure on ordinary Americans to make a decent living. As Ansberry points out in the *Wall Street Journal:* "Temporary work arrangements are seeping like mist into every corner of American livelihood—from data processors and bank tellers to nurses, engineers, and public relations and assembly workers. A full-time job is becoming so coveted that some people spend five years working at one location as temporaries, hoping like Hollywood faithfuls to be discovered."[24]

Du Pont once had a reputation for treating workers fairly. Health care packages and pension packages were the rule, not the exception. In today's environment, however, such is clearly no longer the case.

> Some companies' attempts to avoid liability for contract workers can leave both sides all the more exposed. In an internal memo, Du Pont Co.'s Consolidated Coal unit tells its employees that when they see a contract employee doing something dangerous or illegal, they should *not* interfere—unless company property or employees are endangered. The unit, known as Consol, says the memo doesn't encourage employees to look the other way, but rather establishes that the "contractor has the obligation and responsibility to insure the safety" of its own employees.[25] [Emphasis in original.]

25 Million Jobs to Go?

In addition to growing indifference to social responsibility by corporations and the governing elite, there is the problem of technology and the enormous extent to which it will destroy the nation's job base. One of the things that is so disturbing about what is happening to the nation's economy, and the work force that makes it run, is that the nation's leaders in Washington and on Wall Street are apparently not aware of the devastating forces at work. As Al Ehrbar points out in a revealing column on page 1 of the March 16 issue of the *Wall Street Journal*:

> So far, the potential magnitude of the re-engineering movement and the productivity boom it could spawn have escaped the attention of Washington policy makers and even most economists who specialize in productivity trends. No one has a fix on the likely political and social ramifications of re-engineering, but **some estimates call for it to wipe out as many as 25 million jobs**; the private sector today encompasses roughly 90 million jobs.[26] [Emphasis added.]

The American work force will be decimated. The nation is facing an absolutely huge problem, and no one in Washington is even seriously looking at it, let alone planning for it.

> Those thrown out of work aren't likely to find an abundance of opportunity awaiting them. "We can see many, many ways that jobs will be destroyed, but we can't see where they will be created," says John C. Skerritt, managing partner in the financial services group at Andersen Consulting. "This may be the biggest social issue of the next 20 years."[27]

The nation—its security, its standards and values—is more than the sum of its parts. This critical fact, however, is not being factored into what corporations are doing. "Re-engineering can be great for the performance of individual companies, but what about the economy as a whole?..."[28]

Re-engineering is about how to produce more products with fewer people. No one knows for sure how fast this freight train is actually traveling. Estimates vary. It will all depend on how fast corporations adapt the new techniques. "Some experts say that **re-engineering could knock out between a million and 2 1/2 million jobs each year for the foreseeable future.**"[29] [Emphasis added.]

To give the reader an idea of the impact of numbers like that, "...[T]he defense 'build-down' that has clobbered the economies of southeastern Connecticut and California is eliminating fewer than 500,000 jobs a year."[30] It is also important not to confuse re-engineering with what has happened recently to companies such as IBM, General Motors, Sears, and Boeing. The thousands of people those companies laid off recently came as a result of a *decrease* in product demand, not re-engineering. Re-engineering is a separate, additional problem.

For years, our leaders have told us not to worry about the growing loss of jobs in heavy industry. The New World Order is going to be service-oriented, we were told. And there will be plenty of work for everyone. Moving factories off shore is a *plus*, they said, not a negative.

Not so, according to Al Ehrbar, writing in the *Wall Street Journal:* "Productivity-related job losses are expected to be especially heavy in the service industries. That's terrible news for millions of clerical workers, supervisors and middle managers in service companies and for workers who perform support functions at manufacturers."[31]

Re-engineering Is Just Beginning

More important, the process of re-engineering has only begun. Management consultants and other experts in the field estimat that no more than 15% of U manufacturers—and a mu smaller number of service companies—have adopted re-engineering techniques in a major way. But suddenly, they say, companies everywhere are studying them."[32]

Re-engineering has quietly been going on for over ten years. What the nation is about to see, however, is a "major rollout." In other words, re-engineering is about to become a major phenomenon. And so, it should be added, will the disruptive social consequences that will surely follow.

In a recent survey of 836 com-

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panies, 25% said they planned to reduce their work force within the next twelve months. According to Ehrbar:

> What is more, the number of companies that actually cut employees has always been more than double the number that say they will. In 1991, 22% told the association [American Management Association] they planned cuts. A year later, 46% said they had reduced their work forces.33

Re-engineering is *not* a product of the recession. It is something that was happening before the recession began, and it will continue into the indefinite future.

Service companies employ about 75% of the workers in the private sector. Re-engineering has the potential to slash payrolls in this sector by 30 percent to 50 percent. What is actually in progress in this country is a cataclysmic reduction of the work force that will, in one way or another, touch virtually everyone. Middle managers will be hit especially hard. According to Eric Greenberg, survey director at the management association, "...[M]iddle managers make up only 5% to 8% of the workers at companies that are reducing employment but constitute 18% to 22% of those let go."34 What this means is that re-engineering is going to hit middle manager types three times as hard as others.

The workers hit the hardest of all will be middle aged men without college degrees. Many of these are the people who have jobs protected by unions. These are the workers who will be asked to compete with foreign labor and the millions of Americans who will be fighting poverty for the first time, and looking for work—at almost any wage. They will be the first to be fired. They will have the most difficulty finding another job.

According to Michael Hammer, a former professor and computer scientist at the Massachusetts Institute of Technology (and the man who coined the term "re-engineering"), "There will also be far fewer mindless entry-level jobs. That's bad for the displaced and it's bad for unskilled entrants to the labor force."35

Blight to Spread

Until recently, the term "permanent underclass" has been a code phrase for inner-city African-Americans, low on skills and short on education—unemployed and unemployable. As the growing decimation of the job market spreads, however, the blight presently affecting mostly inner-city people will eat into the very core of the nation's suburbs and on across the entire land. Believe it. A plague is coming.

If the true value of people is going to be left to the workings of the market place, and the market place alone, what growing millions of Americans are about to find out is that, by corporate standards, they are *worthless*. It seems fair to believe that, somehow, that cold calculation is going to run up against hard resistance.

The Clinton Administration keeps telling American workers that what they will have to do to maintain their standard of living is simply upgrade their work skills. "Go back to school, get re-trained," is the line. Clearly, however, this is a smoke-and-mirrors approach.

Americans vs. Foreigners

As G. Pascal Zachary points out in a thought-provoking article in the March 17 issue of the *Wall Street Journal:*

> The availability of low-paid professionals in Malaysia, Hungary, China, India and elsewhere calls into question the idea, popular in the Clinton administration, that U.S. workers can raise their own wages or job prospects by acquiring more skills. "A professional can have his skills moved around the world very easily today, so he ought to feel even less complacent than a low-skilled person, whose job may be tied to a locale," says William J. Schroeder, vice chairman of Conner Peripherals Inc., a maker of computer disk drives.36

According to Zachary, Minnesota Mining is one of the many companies reaching overseas for foreign professionals. These are people that in years past would have automatically been Americans, hired in this country. "It [Minnesota Mining] is even recruiting foreign college students for professional work in their home countries."37 This policy is expected to continue and to grow. According to the company, it is hiring foreign professionals overseas at a much more rapid rate than it is hiring Americans.

A similar practice is in progress at Boeing. Boeing is laying off American engineers and shifting design work overseas. For its biggest airplane project, it went to Japan several years ago and hired 300 Japanese engineers. Just last year Boeing said it planned to go to Russia and Taiwan and hire hundreds more.38

Boeing is telling its American engineering staff not to worry about foreign engineers. In the past, Boeing sent American engineers overseas to work. Today, however, the company is bringing foreign engineers to the United States, using American engineers to train them, then sending them back to fill jobs formerly filled by Americans. According to Dan Hartley, president of the organization representing Boeing's professionals, "In the long run, that can't help us...."39

Do the foreign engineers know what is going on? Indeed they do.

> Foreign professionals have no illusions about why U.S. companies find them so appealing. "We're cheaper," says Leonard Hobbs, one of Intel's Irish engineers. "In America, your standard of living is just getting too high. In Ireland, the unemployment rate is higher and people are hungry to do the job." Ireland's unemployment rate exceeds 20%.40

American companies are hiring large numbers of foreigners in their home countries, but they are also hiring foreigners and bringing them into the U.S., to replace American workers. It is now easy for an American company to add a foreigner to its American staff for up to several years. If a company does it legally, it files a petition with Immigration and Naturalization Service. The number of workers coming in to the U.S. in this way is well over 100,000 a year.41

If a company wants to get around the law—and many companies choose to do just that—it simply brings a foreign worker in as a "business traveler." The worker then receives payment in his or her home country for "temporary work" here.42 The U.S. government seems to have no interest in prosecuting companies that violate the applicable statutes.

Nation In Economic Tailspin

The Clinton Administration talks about raising the educational level of American workers, as well as various re-training schemes to put people back to work. The problem is, virtually nothing is happening. The ruinous drain of wealth pouring out of the American economy in the form of the trade deficit alone is like a raging torrent. The "fix" offered by the Washington crowd, however, barely amounts to a trickle.

As the nation goes into an economic tailspin, The White House, not to speak of Congress, seems to spend most of its time worrying about Bosnia, Somalia, the former U.S.S.R., aid to the Middle East, Japan and China, and on and on. There seems to be no understanding of, or even any concern for, the problems of working middle America. "The federal government spends nearly $5 billion annually trying to get displaced workers and welfare mothers back into the work force, and President Clinton plans to increase job-training funds significantly. But much of that money is wasted."43 For all practical purposes, in fact, virtually ***all*** of that money is wasted. For every 100 of those who get involved in government welfare-to-work programs, only 8 get off welfare, and fewer than that manage to extricate themselves from poverty.44

The government sponsors vocational schools and retraining programs but they are mostly geared to jobs that don't exist. Even when a training program leads to employment, the job often pays less than the worker's previous one. "Louis Jacobson, senior economist at Westat, a consulting firm in Rockville, Md., thinks retraining may help fewer than 10% of the people who take it."45

So what is a person to do? The answer is not simple. Here is what Marshall Ingwerson, writing for the *Christian Science Monitor*, says:

> The job as a source of security is disappearing in the view of many. Economic man must carry his security with him now, in the form of flexible skills and constantly current knowledge.
>
> "It's yourself," Cabrera says. "Go to work in a capacity where you learn generalizable skills," even if it means a pay cut, says Gary Burtless, a labor economist at the Brookings Institution. Narrow skills like stoking a steel furnace or writing computer programs in a single software language are not likely to sustain a career.
>
> "Deepen your skill base," says leadership consultant Stephen Covey. "The only real security lies in knowing that you can keep producing something the world wants."46

What Must Be Done

If open-ended internationalism, the end of the nation-state, forcing American citizens to compete with cheap labor worldwide, government by heads of multinational corporations (rather than representative government by all Americans)—in other words, the New World Order and its so-called "free market" economic policy—is the problem, what is the solution? What can be done about the black hole called Globalism? What, exactly, can the American people can do to keep themselves from slipping into ever-increasing levels of poverty, disease, ignorance and urban violence? What can they do to short-circuit the plans of naive visionaries, international bankers and the owners of multinational corporations, together with the Wall Street crowd? What, in short, can ordinary people do to stop the "schemers and scamers" from getting ever more wealthy and powerful at their expense?

The short answer is, there is a great deal the American people can do. They can begin by demanding that the president, and their congressional representatives and senators, begin immediately to put the interests of the United States first.

That process would involve, at minimum, the following: (1) an end to all foreign aid, (2) the closing of the nation's borders to virtually all immigration, (3) the return of all illegal immigrants to their country of origin, (4) the immediate return of all American military forces based in Europe, Japan and other parts of the world to the United States, (5) the re-industrialization of the United States, (6) rejection of the North American Free Trade Agreement and all other destructive economic agreements, (7) the implementation of a national energy policy that would make the U.S. energy self-sufficient, that is, not dependent on oil from the Middle East, (8) putting an end to all political action committees, (9) making it a serious crime for foreign countries to lobby the American government, (10) making it illegal (and a serious crime) for all lobbyists to make political campaign contributions of any size, (11) the liberal use of tariffs with a view to controlling imports and securing jobs for Americans, and finally, (12) an emphasis on what it means to be an American citizen, not just in terms of "rights" but also in terms of "responsibilities."

Congress and the president need to understand that the American people are truly disgusted at being used and exploited by an

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cording to the U. S. General Accounting Office.

Many of the job losses in the auto parts, electronics and telecommunications industries have come in the great industrial centers of the Midwest, such as Chicago and Detroit, as well as the small towns like Danville that once could rely on their blue-collar jobs.

Companies with plants in Mexico's free-trade zone in the last decade closed 42 facilities and wiped out 67,088 jobs in Illinois during the same period, says Dave Ranney, an economist at the University of Illinois at Chicago.

His study is deceptive in that it only measures how many jobs were lost in Illinois, not how many the companies created in Mexico, Ranney says it is an important measure, nonetheless, because it shows how companies transfer investments between countries.

It does not measure how many jobs might have been lost altogether in the U. S. if companies had not had the safety valve of sending some work to Mexico to take advantage of low wages.

And jobs created in Mexico raise the standard of living there, drawing in more U. S. products, say proponents of NAFTA.

"If you want us to buy your products, we have to have the money, "said Oliver Farres, Mexico's consul general in Chicago." You talk about trade IN Mexico. Think about trade WITH Mexico. It has to be a two-way street. "

But once NAFTA takes effect and trade barriers disappear, experts such as Ranney say more U. S. jobs will become vulnerable.

U. S. truckers eventually will be competing, for example, with Mexican drivers who will be allowed to drive in the U. S. for the first time.

Similarly, organized labor worries that U. S. food processors will shift work. They already express strong concern that beef-packing houses across the Midwest and Plains states will send the difficult, labor-entensive work south to reap the advantages of lower wages.

A study by the U. S. Office of Technology Assessment discounted the likelihood of many packing houses' relocating, but said a number of poultry-processing facilities might indeed move to Mexico.

And expecting U. S. companies only to shift low-tech jobs would be a mistake, advises Harley Shaiken, a labor expert at the University of California at San Diego who has studied industrial growth in Mexico.

"Mexico has the capacity to be the next high-tech export platform, and if that becomes the case, other industries are vulnerable," he said.

Nevertheless, job losses, government studies show, are most likely to hit those workers least able to find new careers at similar pay. These are low-skill workers in labor-intensive jobs such as putting together electric parts for new home construction at the Valmont plant.

"By the time I get out of school, I'll be 57, and you know nobody is going to hire me full time, "said Calvin, who until recently, was studying accounting at a local community college under a federal program for workers laid off from companies that shifted jobs overseas.

Whether they go to school or not, the Valmont workers are unlikely to find jobs matching their old wages.

"They'll get $8 an hour if they are lucky, but most probably will get $6 an hour, "said Janice Hamilton, a worker at the Illinois Department of Employment Security office in Danville.

Although $10.90 an hour may not seem high, the workers' wages were a factor in the company's decision to move the plant, says Brian Stanley, Valmont's vice-president and treasurer at its ofices in Valley, Nebraska.

"We were forced to do it because our competitors had already done it, "he said. The company tried to lower its costs and boost productivity at the plant,

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lawed inside the United States) and provide lucrative investment bank services for their clients there. Less visibly, the shift of production from American to Mexico will allow the Mexicans to repay the billions of dollars of debt and interest owed to U.S. financial interests.

NAFTA will be a big winner for Washington lobbyists. In 1993, the Mexican Government and Mexican corporations will spend an estimated $50 million for lobbyists and publicists whose job is to get the agreement enacted into law.

The NAFTA losers will be American workers and the communities where they live. Several independent studies verify this unpleasant reality.

The most optimistic of these reports was released in 1992 by the Department of Labor, the U.S. Council of the Mexico-U.S. Business Committee, and the international Trade Commission. They conclude that the agreement will cause few or no job losses, but few job gains. Yet, these conclusions are based on the assumption that the U.S. will have full employment in the 1990s and every displaced American worker will have a replacement job. To say the least, this stretches credibility.

By contrast, the Washington-based Economic Policy Institute projects that an unrestricted free trade pact with Mexico would cost 550,000 U.S. jobs over the next five years. The Economic Strategy Institute, another leading Washington think tank, projects that more than one million American jobs could be lost in the 1990s under an unrestricted agreement.

Are job losses of this magnitude actually possible? They are. U.S. corporations have already built more than 2,200 factories in the thin strip of land along the U.S.-Mexico border that is part of Mexico's Maquiladora program. They employ almost 800,000 Mexican workers. If this treaty is ratified by Congress, U.S. corporations will have an even better deal in Mexico and the entire nation in which to locate. They will move South.

The negative effects will fall disproportionately on special industries, workers and locales. Textiles and apparel workers are particularly vulnerable. At least 1 million apparel and textile workers face the loss of their job over the next decade if NAFTA takes effect. Roughly 90 percent of this employment is concentrated in eight states and more than 80 percent of the workers are women and minorities.

The State of Texas, which is supposedly a prime beneficiary of this agreement, will be particularly hard hit. The Texas Department of Commerce, which did a detailed analysis of the employment effects of the agreement, reported in October, 1991 that those Texas industries that will "lose" under this agreement employ one-third more workers in the state than the projected "winners".

The Texas losers will include fresh fruits and vegetables, livestock, distribution services, transportation equipment, fabricated metals, lumber and paper, primary metals, leather and leather products, apparels and textiles, wholesale and retail trade, and banking. These are industries that employ disproportionately high numbers of semi-skilled workers, women and minorities.

American cities will also suffer under this pact. Even without this agreement, the nation's twenty largest metropolitan areas lost more than 1.2 million manufacturing jobs between 1969-89. Many of the remaining jobs, such as the 60,000 in New York's apparel industry, pay $6.50 per hour. These are not great jobs, but for many Americans these are the only jobs—jobs with dignity that hold together the working poor. And if this treaty is ratified, these jobs will disappear.

The effect of job losses on rural areas will be less visible, but even more destructive. In many communities, only one or two companies provide most of the jobs. If these companies are forced out of business or move, the entire community suffers.

And recovery comes slowly, if at all. Most of the New England textile workers who were displaced when their companies went South never found a comparable replacement job. Millions of other workers across America now face exactly the same prospect.

If NAFTA becomes law, the question that these workers will face is this: Where will I find a job if my company moves to Mexico? For most people, there is no answer for there will be no job. •

Pat Choate is author of Agents of Influence *and Director of the Washington-based Manufacturing Policy Project.*

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irresponsible government more interested in getting re-elected than in maintaining high standards, constructive national values and goals, and governing the nation in the interest of the American people.

The gross domestic product of the U.S. may be up, and, as almost always, the "health" of the multinational corporations doing business in the U.S. may be on the rise. But the economic health and overall well-being of ordinary Americans is in a tailspin. •

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Proposed Treaty Will Hurt American Farmers

By Sister BARBARA McCRACKEN
Leaven
Archdiocese of Kansas City
October, 1992

Watch out for NAFTA. Especially if you are a farmer.This North American Free Trade Agreement has serious implications for the family farmer here, in Mexico and in Canada. Its 2,000 pages were made public September 8.

According to a recent statement signed by the Presbyterian Church (USA) and others." NAFTA will promote widespread displacement of family farmers and farmworkers in all three countries. According to the Administration's own studies, millions of Mexican farm families may be displaced in the next few years, adding to the flow of urban unemployed and migrants to U.S. and Mexican cities."

This will happen in part because last year the Mexican constitution was changed to create a kind of land reform. In effect it sounded the death toll for cooperative farms call ejidos where peasant farmers collectively have raised corn for generations. It is now legal for *ejidos* to be sold to foreign or national agri-corporations.As a result the Mexican bishops fear the displacement of perhaps 300,000 farmers and their families who will leave the land over the next five years for Mexican cities or perhaps to cross the border to the United States.

According to Bob Denman on the public affairs staff of the National Farmers Union in Denver,"Most observers believe Mexico intends to phase out its peasant small holdings and replace them with larger scale operations."

Under NAFTA an initial boost of U.S. feed grains and soybean sales to Mexico is expected. But Denman warns, "Over the long run, U.S. exports of feed grains and protein feeds will depend on Mexico's success" at developing larger commercial feeding operations.

Under NAFTA, Mexico will open its market to import corn from the United States. Corn is the staple food of the people,eaten as tortillas. At present, the Mexican government keeps a freeze on the price of corn and beans so, in spite of outrageous inflation in recent years, the poor can still eat. But if commercial farms replace the local farmers, corn will not be produced, but cash crops for export. Hunger for the local people could result.

Another major problem is environmental pollution. Pesticides and animal growth hormones which have been outlawed for years in the United States are used in Mexico. As more of these agricultural products are consumed here health hazards will increase. A statement signed by Maryknoll adds, "The agreement includes no provision to stop the movement of U.S.firms into Mexico to exploit that country's lax enforcement of environmental regulations and further the environmental nightmare that extends along the U.S.-Mexican border. The new 'Integrated Environmental Plan for the U.S.-Mexico border' is severely underfunded.

"Finally, NAFTA's dispute resolution process will facilitate attacks on U.S.environmental, health and safety standards and undermine gains in U.S.food, drug, air, water, auto and industrial safety."

The Canada-U.S.Free Trade Agreement, another part of NAFTA, has been in effect since 1989 and some Canadians are plenty angry. According to the Catholic Rural Life Office in Ontario, "The Free Trade Agreement has not provided the expected U.S. market access for Canadian farm products. It promised to create a 'level playing field' by lowering farm product prices, but hog and pork exports have suffered. By emphasizing the expansion of trade between Canada and the United States, Canadian agriculture is effectively being integrated into the continental market and pricing system dominated by U.S. corporations. The Free Trade Agreement is designed to hasten the industrialization of food production."

The Labor Advisor Committee was established by Congress in 1974 to advise the U.S. Trade Representative and the Secretary of Labor before they enter trade agreements with foreign countries. But they are not allowed to participate, as NAFTA was developed in secret. The Labor Advisory Committee did not get a copy of NAFTA until September 8.

Their Sept.16 statement opposing NAFTA states, "The draft agreement not only poses serious problems for U.S.farmers, but could also impact negatively on thousands of workers in the domestic food processing industry. LAC is concerned that, by exempting Mexico from the Meat Import Act, and eliminating tariffs on feeder cattle, the agreement will encourage livestock packing plants to move their *operatons south of the border to* take advantage of low wages and lower safety and sanitation standards." •

Glamour's Gone from U.S. Imports

By NANCY CLEELAND
Copley News Service
San Diego Union

MEXICO CITY—A year ago, customers shopping for furniture in the plush Hermanos Vazquez store may have been surprised to find a pyramid of canned Spam displayed between the mahogany desks and brass beds.

But in the buying frenzy that followed Mexico's sudden decision to drop most import tariffs and open its borders to foreign goods, even a tin of diced meat had an exotic and irresistible appeal—as long as it came from the United States.

For many Mexican consumers, a U. S. label stood for quality and class, and hundreds of entrepreneurs throughout the city hoped to cash in on the frenzy. Speciality stores with names like Super Gringo and Super Americano sprung to life, their shelves crammed with only U. S. goods, from Joy dishwashing liquid to Cheetos snacks.

"People would rather eat Kellogg's Corn Flakes for breakfast than a healthy plate of Mexican fruit," an anthropologist said glumly at the height of the craze.

Now almost as suddenly, the magic is gone. Super Gringo, in the prestigious Lomas de Chapultepec neighborhood, closed its doors last month because of a drop in sales. The larger Super Americano is still in business, but most of its imported foods have been relegated to a back shelf and are slowly selling at half price.

The Spam pyramid has disappeared from Hermanos Vazquez, along with the five cases of Gallo wine bought as part of the store's import experiment. All that remain are a few cans of S&W lima beans on sale in the basement. "We thought it was a good idea, but to be honest, it was a lot of work just to sell what we had," said sales manager Maricruz Venegas." After the first couple of months, the novelty wore off."

Increasingly, imported products are taking their place on supermarket shelves next to their Mexican counterparts, and shoppers are now picking over prices and ingredients before making their decisions.

In what may be a prelude to the age of free trade between Mexico and the United States, shoppers here are learning the art of consumerism.

"Consumers aren't stupid," said Fernando Gonzalez of the federal attorney's office for consumers." After time, they see that the imports aren't everything they hoped they'd be. Maybe they'll buy them once, but then they'll look for price and quality. "

Still, there is plenty of room for competition, and many Mexican manufacturers, who became complacent after 30 years of protectionist policies, are scrambling to keep up with the imports. While most consumers reject imported foods, they still prefer U. S. cleaning fluids, cosmetics, office supplies, electronics and other retail goods that generally hold up better than national brands.

"We were captive consumers, and so there were lower and lower standards of quality (in Mexican products)," said Jose Angel Conchello, a Mexico City assemblyman. "Suddenly we open the border and many industries are starting to understand they have to produce better quality. But this is not something you can change from day to night. "

Concerned that the flood of imports could bankrupt thousands of uncompetitive small and medium industries in the next few years, Conchello, a member of the opposition National Action Party (PAN), has spearheaded a "Buy Mexican"campaign and is urging the government to subsidize local industries until they can become more efficient.

Since January, his office has distributed thousands of pamphlets and bumper stickers urging shoppers to "Say Yes to Mexico" by buying national brands. "We don't oppose the free trade agreement (now under debate in the U. S. Congress), but we want time and we want Mexicans to know the risk of buying imported goods," he said. "We are telling them that when you buy an imported product that already is made in Mexico, you are buying unemployment.

Outside his office, dozens of street vendors hawked cans of Aqua Net hair spray, U. S. nonstick cookware and plastic sandals from Taiwan. This, in Conchello's scenario, was the unemployed creating more unemployment.

But most economists say the competition between Mexican and imported products here is healthy, even though it may augur a difficult period of adjustment, because the increase in quality and efficiency forced on Mexican manufacturers will allow them to compete in international markets.

Under a free trade agreement, imports are expected to increase dramatically, but most of that increase will be in intermediary goods such as manufacturing machinery, said Antonio Alonso of the Javier Barros Sierra Foundation, a Mexico City think tank.

The brunt of the impact in retail goods already has been felt, and Mexican consumers may continue to drift back to products made here, Alonso said. "The fact is that many of these products weren't designed for Mexican consumers," he said.

"The best example is food. A great number of people in the United States live alone and work all day, then they go home and open a can or put a dinner in the microwave.

"Here, there is a tradition of living with extended families and most of us go home to eat lunch every day. We practically don't use cans. Besides, anyone who could pay the price for imported food could also pay for a cook. Why open a can when you can have a fresh meal waiting for you?" •

Harder, from page 1

false hope that siphoned off capital and propped up the economy. A building boom was on, and the factories were still here in the USA, so nobody cared. We saw the trend to big trouble and told you so, but were ignored and called a "crackpot." (Radio station WMCA, our New York station, cautioned me about my gloomy predictions. After the crash they sold out and simply pulled the plug on me.)

Tax Reform

By spring of 1987, the public found out that the wonderful "Tax Reform Act of 1986" meant that the working, middle-class had been screwed and that taxes were going to go even higher. It was a classic con-job on the part of Congress, and my listeners moaned that, for the first time, they were not getting tax refunds but, instead, owed hundreds or even thousands of dollars to the IRS. Even worse, deductions for interest on consumer loans vanished and credit tightened.

So-called tax reform started a downward spiral that silenced the cash registers and caused interest rates to climb. The bottom line: The market went into the tank. Even new homes selling back then were financed with zany "Negative Amortization Mortgages," where the payments went up after five years. It was like Bozo the Clown had rigged the economy to blow up. We told you all about it, and well in advance.

1992 was even worse. George Bush tinkered with the IRS withholding rates and lowered them to prop up the sagging economy well in advance of his campaign to get re-elected. Accountants and economists knew, of course, that tax-season 1993 would be no picnic, as there would be big bills due and *no* refund checks for most taxpayers.

In place of an economic shot-in-the-arm from IRS tax refunds, we see, instead, folks cutting back to pay their federal taxes. To make matters worse, an ever-hungry IRS has been programming its computers in recent years to collect whatever additional revenue could be shaken out of the public. Hundreds of thousands of people have paid penalties and interest, in addition to taxes, after computer notices dunned them for additional sums, often for reasons that were anything but clear. In addition, banks stopped loaning money to small businesses, and capital and factories continued to flee from the USA to overseas or Mexican tax havens. All of this was going on while unemployment lines here at home continued to swell. It all boiled down to exactly the perfect recipe for a replay of 1987. But wait, there's more.

People Lack Savings And Need Jobs

To the above add this: A huge percentage of the country's families and bread-winners have no savings and live, literally, one or two paychecks away from homelessness. Unemployment continues to skyrocket and over two million jobs are being lost every year—even more if you count the people who cannot collect unemployment or are off the books or are already homeless. In addition, a growing number of highly skilled workers with college degrees can't find jobs; and even when they do, all too often it's for lousy money. Houses are being lost, families are being destroyed, and the downward spiral worsens by the day.

It doesn't take a rocket scientist to realize that no new good jobs are being created and that additional factories are leaving the country every day. Many counties across the USA are wondering if they will be able to re-open their schools next fall. Big companies like IBM, Wang, Delta Airlines, Sears, and many others are laying off workers by the tens of thousands at a clip. To make matters worse, "It's just starting," say the experts. These same experts also say the problem will get much worse as assembly lines continue to move across the border to Mexico.

Other factors are clicking in to accelerate the crash of the economy. For example, real estate prices are on the decline once again, as the market chokes with empty stores, offices and executive homes nobody can now afford. Those in the North who now wish to retire and move South are locked into a home they cannot sell. Lumber prices are up due to Hurricane Andrew and the recent blizzard damage. And young, first-time home buyers are being priced out of the market again.

A number of insurance companies are failing, and are not paying off on storm damage in Florida. This problem is spreading to other parts of the nation. Money that would have gone for home improvement and other things went, instead, for repairs and temporary patch work. The recent windstorm and blizzard that swept the eastern part of the country seriously disrupted travel and vacation plans. Motel and hotel rooms sit empty all across the USA. Airlines are cutting back and the travel and lodging industry is spiraling downward.

New Taxes Plus NAFTA

And then comes the latest development: Just in time to make sure the economy dies, Bill Clinton is pushing Congress to enact new federal taxes while various states and counties are also jacking up taxes on real estate, cigarettes, alcohol, fuel and a list of other items. Add to this the new medical care costs to be paid for by small employers, as supported by Clinton, and you are bound to hear that "sucking sound" Perot talked about all the way from Mexico. My point is, any viable factory now left in the USA will certainly make every effort to escape the loony complex of regulations, benefit costs, taxes and expenses heaped on any American businessman silly enough to want to employ people in the USA.

It gets even worse when NAFTA (North American Free Trade Agreement) puts underpaid Mexican peasants into head-to-head competition with all kinds of jobs across the entire country. In spite of all this, our very own government uses your tax dollars to move factories out of the country. It continues to do overseas loan deals, and it continues to ignore taxpayers here in the USA.

The American government even gives Mexico and other countries foreign aid to build roads and infrastructure to grease the skids for factories to move. In addition, the bankrupt Third-World and a list of countries in the Middle East get large sums of U.S. foreign aid simply to pay off old loans. All of this so that they can borrow even more money from us.

Smiling Mexican truck drivers will be hauling freight on our roads. Cheap produce from Mexico will devastate what is now left of American farms. This will further reduce land prices and thus cave in more regional and local banks.

America's principal exports to Mexico will be machine tools and heavy equipment. A favorable trade balance will continue only until Mexico is tooled up and able to fend for itself, which is what happened with Japan in the sixties. Once Mexican industrialists are on their own, they will have a one-way street into US markets and the remaining wealth of the American middle class. Don't look for Rosita and Jose in Mexico to buy Cadillacs on their salaries of between $40 and $200 per month. They won't need our consumer goods, either, because Taiwan, Korea, China and Japan are already in control of those markets.

When Everything Goes Wrong

The beautiful but empty Wang Laboratories executive towers in Massachusetts, empty IBM buildings in New York State, and closed factories everywhere will

(See **Harder**, page 13)

Canada, from page 1

Reginald Dorrett, the Canadian consul-general in Los Angeles, told a Cathedral City Rotary Club meeting at Doubletree Resort.

"But," he added, "the government of Canada is sympathetic to President Clinton's position and his desire to give greater recognition to environmental and worker standards....We would far rather proceed with parallel accords that reopen the NAFTA agreement at this stage to include those items."

The three-nation pact would eliminate all tariffs and other restrictions on trade and investment over 15 years for a free-trade bloc with about 370 million people.

Calling it "one of the most important treaties concluded in this hemisphere," Dorrett said each country could be in "a win-win situation" if the accord takes effect at the start of 1994.

"Canada and the U.S. have the most comprehensive and mature relationship ever entered into by two sovereign states," he told the crowd of almost 75 people, including many Canadians.

"Our collective willingness to extend these benefits to Mexico and potentially to others in the hemisphere will undoubtedly increase our respective opportunities and ensure that we continue to take an outward-looking approach to world economic problems."

But Dorrett warned that U.S. politicians and companies would have to stop promoting "Buy American" campaigns if the agreement is approved.

"Protectionism and regionalism are not words that we accept in the context of a free trade agreement," he said.

"When economic conditions are tough, there is an inclination to think more about buying American, buying Californian, buying Los Angeles. That philosophy or concept is not acceptable." •

Jobs, from page 9

which had been losing money for three years, but it was not enough.

"How can you beat the Mexican wage?" said Stanley, whose company earned $13.2 million last year.

In Juarez, Mexico, where Valmont employs about 1,800 workers, the company pays about $3.12 an hour in wages and benefits, compared with a $15-an-hour package in Danville, according to Stanley.

Since losing their jobs at Valmont, Alice and Dwayne Spezia have spent long hours considering what's available in Vermillion County, where 1 out of 10 workers was jobless in November.

"You go around and around and there are no jobs. It's hard on everyone," said Alice, who worked on the production line. They both look for work because they tell themselves that one of them has to find a job with health-care benefits. And there are other changes in store for the Valmont workers.

At the union hall, business agent Alfred "Alfie" Bott will probably retire in the spring, since he does not have enough locals to support his job. He was not planning to retire at age 62. "You can't sit around and do nothing," he said.

Marilyn Ray, who is studying at the Danville Area Community College to become a medical office worker, worries how she will pay for the trailer she bought several years ago, when she thought she had a job forever at Valmont.

Donna Carrigan, who put in 33 years at Valmont, finds there are days when she doesn't want to leave the house or talk to anyone. "I'm pretty bitter. I'm depressed. But I dumped out all of them depression pills," she said.

At a worker's gathering, Janice Smith hears others talk of getting on with their lives, but says she is not ready to stop grieving.

"It's going to take time to learn to let go," she said awkwardly.

Jackie Calvin, who supports herself and her elderly mother, has no choice about putting Valmont behind her and starting over. She works nights, as she did before the plant's closing, as a bartender at Rosie's Tavern.

Much to her displeasure, she recently had to drop out of the government-paid community college classes because she couldn't study and take care of her mother while working nights.

"It was just too much stress," she said.

She also spends much time on the phone or in person helping Valmont workers, just as she did for years as lodge chairman. She can tell from their voices, she says, how tough it has been for them.

"I always think, 'Was there something that I could have done to save these jobs,'" she said. "It bothers me, you know, cause you try to do the best for everybody." •

Green Giant Taking Heat for Handling of Frozen Food Business

By TONY KENNEDY
San Diego Tribune
May 13, 1991

MINNEAPOLIS—In the market for frozen vegetables, Green Giant is king these days.

But some union officials accuse the Pillsbury subsidiary of being more like “a vicious mean ogre “because of a recent decision to move part of its operations to Mexico.

Green Giant has been in the Number 1 spot in frozen vegetables for the past several months following 28 years in the shadow of industry pioneer Birdseye. The company today controls about 13.5 percent of the $2 billion frozen market, compared to Birdseye’s 12 percent, according to data provided by Nielsen Co., which tracks consumer product movement.

“They’ve made it to No. 1, “conceded Birdseye spokeswoman Linda Eatherton. “I don’t know if it’s been a meteoric rise. But they are there.”

“It’s something we feel pretty good about it, “said Green Giant President Gary Klingl.

But while management is singing the praises of the leaf-clad giant, California plant workers in Watsonville are facing the permanent loss of 380 jobs from their 490-member work force.

The plant’s work of growing and cutting broccoli and cauliflower earlier this year was moved to labor-cheap Irapuato, Mexico, a town of about 300,000 people which dumps raw sewage into its waterways. Labor leaders claim the expansion south of the border will undermine product quality and sully the wholesome image of the Giant and his elves.

“We are trying to educate the consumer as to what the new Green Giant is,” said Joe Fahey, president of Teamsters Union Local 912 at the Green Giant plant in Watsonville.

“He’s turned into a vicious mean ogre.”

Green Giant curtailed its Watsonville operations at a time when the community was reeling from a 13 percent unemployment rate brought on by earthquake damage. The move increased the Mexican work force to about 800.

There are about 7,000 Green Giant workers in the United States, including sales operations, management and plant workers.

Labor groups angered by the exodus of production jobs have protested in Tokyo, a key market in Green Giant’s overseas sales expansion; Minneapolis, where Pillsbury is based; and England, home of Pillsbury parent Grand Metropolitan PLC.

Displaced Watsonville workers also announced a boycott in April against Green Giant, Pillsbury, Haagen Dazs and Burger King, which are owned by Giant Metropolitan.

Labor’s complaints are included in a video called “Dirty Business,” which claims that Irapuato’s polluted water is dumped on crops. The video also depicts laborers who toil at “Gigante Verde” for about $4 a day at ages as young as 11. Fahey said starting wages for the same jobs in Watsonville were $7.56 an hour, or $60.48 a day.

Klingl, the Green Giant president, said production standards in Irapuato, with the help of chlorinated well water, are no different than at any other Green Giant plant. And no one as young as 11 works at the plant, he said.

Green Giant pays above the approximately $3.50-a-day minimum wage in Irapuato and has plans to build a sewage treatment plant if the city does not build its own, Klingl said.

Mexican farmers work under the same guidelines the company imposes on U.S. growers even though there are fewer farm chemical restrictions in Mexico, he added.

Klingl admitted the cheap labor incentive of moving to Mexico is “obvious to everybody.” But he said increased hand work and a better growing season will improve quality.

“If we were trying to squeeze the last nickel and dime out of this thing, we wouldn’t be doing the things we’ve been doing,” said Klingl, a Green Giant executive for the past 10 years.

There is no denying a tightening of purse strings at Green Giant since Grand Metropolitan acquired former parent Pillsbury Jan. 4, 1989, in a hostile $5.8 billion takeover. Under the unofficial Grand Met restructuring motto of “a light grip on the throat,” cost-cutting has been fervent throughout Pillsbury.

Grand Met officials have asked Klingl to increase Green Giant profits this year “far in excess” of 15 percent even though per capita frozen vegetable consumption is flat and canned vegetable consumption is declining. And under Grand Met’s brand-building emphasis, Green Giant’s advertising budget has ballooned from $3 million in 1986 to $20 million projected for 1991.

“Quite frankly we are having difficulty achieving it (the profit goal),” Klingl said. “We will do the 15 percent.”

Mark Ritchie, executive director for the Institute for Agriculture and Trade Policy, a labor-oriented research group in Minneapolis, said economic pressure will lead to further expansion in Mexico.

With a depleted presence in California, the Green Giant’s U.S. valley is now centered in the Midwest. Southern Minnesota, for instance, has three Green Giant canning plants.

La Sueur—home of the annual Giant Days celebration—is marked with three mammoth cutouts of the icon.

“We will see Green Giant leave Minnesota eventually,” Richie said. “Minnesota producers now selling to Green Giant can anticipate that Green Giant will move everything to Mexico.”

Klingl maintained that was unlikely to happen.

True, Irapuato will be the site of a new Green Giant mushroom growing and processing facility within 18 months, and Green Giant corn will come from Mexico when there are seasonal gaps in U.S. production, he said. But the 7-year-old facility will be “maxed out” with those additions and the broccoli and cauliflower work from Watsonville, he said.

Klingl said the growing conditions in the Midwest are unbeatable for peas, corn and other vegetables. In addition, he said, Pillsbury proved its commitment to U.S. manufacturing by launching a $140 million plan last year to expand and modernize some plants and distribution centers while closing others.

Green Giant is taking the labor protests seriously but hasn’t noticed any impact on sales, Klingl said.

The company said it slashed the California operation because it was costing too much to ship fully processed products to points east of the Mississippi River, where 85 percent of the products are sold. It emphasized that it was adding jobs at plants in Wellston, Ohio and Belvidere, Ill.

Shipping from Mexico is less expensive because the vegetables are in bulk form, Klingl said. They receive further processing and packaging in Ohio and Illinois.

Klingl said Green Giant made its greatest strides against Birdseye by selling frozen vegetables in plastic bags. The bags now account for more than 50 percent of the frozen vegetable market and Green Giant sells about 7 million cases a year compared with 1 million cases a decade ago.

Green Giant’s share of revenue in the frozen vegetable market has grown from 9 percent in the early 1980s to 13.5 percent, compared with Birdseye’s slide from 15 percent to 12 percent, Klingl said. Green Giant also holds an edge over Birdseye in vegetable poundage, but by a smaller margin.

Green Giant is still Number 2 in the $2.4 billion canned vegetable market behind Del Monte.

The company and is competitors have been less successful in the highly fragmented $18 billion fresh vegetable segment. Klingl thinks his brand can some day make inroads there. •

IBT Petition Yields Label Change Order...

Green Giant Deceives On Location of ‘Valley’

By COLLEEN M. O’NEILL
AFL-CIO News
March 15, 1993

The U.S. Customs Service, in response to a Teamsters petition, has ordered Green Gaint to change frozen food packaging that deceives customers into thinking the Mexican-grown vegetables come from the United States.

IBT President Ron Carey had asked for the change on bags containing the “American Mixtures” vegetables that come in “San Francisco Style,” “Manhattan Style” and “Heartland Style.” The wrappers tout those names in bold lettering on the front, while acknowledging in 6-point type in black ink on a dark green background that the goods are produced in Mexico.

The Customs Service ruled that Green Giant must print the words “Product of Mexico” on the front of the package in 27-point type, IBT said. The company was given 60 days to comply.

Ironically, the company invites consumers on the same label to call a toll-free number if they have any complaints about the product.

Customs regulations require that in any case where the words “United States” or “American” or the name of any city or locality appears on an imported item, the words “made in,” “product of” or other similar words should appear in close proximity and comparable size along with the country of origin.

“The message to Green Giant and other food companies is this: you can run, but you cannot hide,” Carey said. “Consumers have a right to know whether the food they eat is produced under American conditions.”

In 1990, Green Giant announced that 382 workers, members of IBT Local 912, would lose their jobs after the company shifted production from its Watsonville, Calif., plant to Irapuato, Mexico, where workers make as litle as $4 per day and there is little water quality enforcement. The company’s “American Mixtures” marketing campaign began after the union protested the job losses and called attention to the working and sanitary conditions in the Mexican maquiladoras.

“The Customs Service decision on Green Giant’s ‘American Mixtures’ is a good first step,” said Local 912’s Secretary-Treasurer Sergio Lopez. “I’m hopeful that the Customs Service will finally enforce the conspicuous labeling regulation as well for all companies. When consumers are given a clear choice, they will prefer vegetables grown and processed under American conditions.”

Many major supermarket chains sell imported frozen vegetables with a hidden country of origin, IBT said. •

American Workers Pay to Export Their Jobs

United Auto Journal
December, 1992

America is in trouble.

Nobody knows that better than the American worker. More than 10 million Americans are out of work. The current recession has eliminated over two million jobs. Real wages have fallen to their lowest level since the early 1960s. Last year, a record number ofU. S. businesses—over87,000—failed. Poverty is on the rise not only in our cities, but in rural areas as well.

What is the U. S. government doing to raise our standard of living? Difficult as it is to believe, rather than fighting for jobs in the United States, the Reagan and Bush administrations have spent hundreds of millions of our tax dollars to send U. S. jobs overseas. Put another way, American workers, as taxpayers, are paying to export their own jobs.

This fact was uncovered recently by the National Labor Committee, a coalition of 21 unions which over the past two years has investigated the loss of American job overseas, particularly to plants in Central America and the Caribbean.

That investigation revealed that since 1980, the Reagan and Bush administrations have spent more than $1 billion in tax dollars encouraging U. S. companies to move their manufacturing facilities overseas. That money was spent by the U. S. Agency for International Development (USAID) on programs to establish "export processing zones" throughout Central America and the Caribbean and to provide incentives to U. S. companies to relocate to those zones. The zones house industrial parks where poor and oppressed workers are paid less than 60 cents an hour to manufacture goods for U. S. markets.

USAID has attempted to fill these parks by funding so-called "investment promotion" programs to target U. S. firms and provide incentives for them to relocate their operations. Typical of these programs is the Salvadoran Foundation for Economics and Social Development (FUSADES) with offices in New York and Miami.

Since 1984, FUSADES has received over $102 million from the U. S. government. The organization has been instructed to pursue a "systematic sales effort involving direct contact with targeted U. S. firms to convince them to explore opportunities in El Salvador." Specifically, FUSADES has been directed to target electronics and apparel manufacturers in the Northeast and Southeast United States.

Recently, FUSADES ran an advertisement in a prominent U. S. trade journal. The ad showed a woman working at an industrial sewing machine. The caption read: "Rosa Martinez produces apparel for U. S. markets on her sewing machine in El Salvador. You can hire her for 33 cents an hour. Rosa is more than just colorful. She and her coworkers are known for their industriousness, reliability and quick learning. They make El Salvador one of the best buys." Difficult as it is to imagine, U. S. tax dollars actually paid for the ad.

According to the National Labor Committee, FUSADES is just one of at least 11 Central American and Caribbean "investment promotion" organizations operating in the United States with U. S. government funding totalling more than $289 million. And these organizations are in turn only a few of over 90 USAID-funded investment and trade promotion projects, such as worker training in the Caribbean to which more than a billion dollars has been given since 1980.

The biggest incentive offered by the programs to U. S. manufacturers who relocate to the export zones is the large supply of desperate workers throughout the Caribbean. The National Labor Committee investigation revealed that over 90 percent of those employed in the Caribbean export zones are women, most of whom are under the age of 18. They earn about 50 cents an hour. They have no health insurance, no worker safety protections, no workers compensation, and no unemployment insurance.

What's worse, when these young women try to organize to improve their working conditions, they are immediately fired and blacklisted. The National Labor Committee found that in zones throughout the Caribbean, blacklists are maintained with the names of workers believed to be union sympathizers. The workers whose names appear on these lists can't find work.

These illegal lists deny workers their most fundamental rights—the right to speak and associate freely, to organize and bargain collectively. Respect for these rights is the law. Yet U. S. authorities, according to the Committee, know about the blacklists and allow them to exist.

The National Labor Committee's findings are, to say the least, disturbing. What is going on? Over the past decade, Americans have been told time and again that there is no money available to rebuild our nation's crumbling infrastructure. Yet U. S. tax revenues are being used to finance modern industrial parks and infrastructure development throughout Central America and the Caribbean.

> ***"...[S]ince 1980, the Reagan and Bush administrations have spent more than $1 billion in tax dollars encouraging U.S. companies to move their manufacturing facilities overseas."***

Also, when U. S. jobs are lost to imports, American workers are told there is very little money available for worker retraining, yet our government has spent millions on worker training to benefit manufacturers in the Central American and Caribbean export zones.

America has a $43 billion trade deficit with Japan, a $13 billion trade deficit with China, a $10 billion deficit with Taiwan and a $2 billion deficit with South Korea. Meanwhile, the U. S. government is spending tax dollars to establish investment promotion offices in Taiwan and South Korea. The goal of these offices is to draw manufacturers from the Far East to the Caribbean, where they will have unlimited access to the U. S. market with minimal tariffs or quotas.

At the same time our government has been promoting and financing overseas production, the United States has lost 2, 500, 000 manufacturing jobs. Nearly 500, 000 of those jobs were in the apparel and textile industries.

It is clear from the Committee's investigation that there is very little accountability on the part of USAID for the investment promotion programs, either to Congress or the American public. In fact, the Committee claims to have found evidence of USAID attempts to deceive Congress to assure continued funding.

It is also clear that the development policy under which the programs operate, "Trade, Not Aid," is a failed policy. Rather than create new investment in Central America and the Caribbean, it has diverted investment from the United States and other countries.

The USAID has been given a congressional mandate "to help the poor majority of people in developing countries to participate in a process of equitable growth. . . and enable them to satisfy their basic needs and lead lives of decency, dignity and hope." But the investment promotion programs are a betrayal of that mandate. Rather than helping the poor, they have resulted in increased poverty and oppression. The only beneficiaries of the programs are the U. S. manufacturers who profit by exploiting workers overseas.

Recently, Congressman George Brown (D-CA) called on the General Accounting Office (GAO) to conduct an investigation into U. S. government funding of the export zones throughout the Caribbean, including subsidies provided to U. S. companies that have relocated to the zones.

The National Labor Committee has recommended that the GAO also investigate worker rights violations in El Salvador and Honduras, and report to U. S. Congress on which exp processing zones are using bla lists and which U. S. compani are located in the zones. The Committee also has suggested that the GAO report on the age of workers and the conditions under which they work.

Beyond the GAO investigation, the Committee has demanded that USAID funding of investment and promotion programs be immediately terminated, and that funding for export processing zones be frozen until such funding is reviewed by Congress in public hearings. The U.A. supports all of the Committee's recommendations.

In its report on the findings of its investigation, the Committee concludes: "We must review the wisdom of the policy to promote the growth of export processing zones and offshore assembly as the model for future economic development in Central America and the Caribbean. And we must evaluate the appropriateness of using U. S. foreign assistance—and our tax dollars—to support this policy. U. S. taxpayers and workers throughout the Americas deserve no less."•

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be but a few of the thousands of tombstones marking the graves of an economy sold out by crooked or inept politicians, backed by greedy, power-hungry types with absolutely no sense of the future.

Violence will increase and jails will become even more packed than they already are. Poverty will be everywhere and will grow like the multiplication tables.

Children won't be in school and people will grow hungry. The coming winter could be a killer as the economy slips further into the tank and a besieged President Clinton wonders out loud what went wrong.

The issue of gays in the military, abortion clinics, Somalia, and the war in Yugoslavia very well could become a distant memory as, finally, relief convoys start to move across the USA itself. It is not at all difficult to imagine that American troops will have to come back from overseas in order to keep the peace here at home.

Unless there is a turnaround soon, more and more radio and TV stations will fall silent as an increasing number of stations sign off for good because of lost advertising revenue due to stores and factories closing. And daily papers won't escape, either, as growing numbers of them become increasingly thin and then stop publishing altogether.

Yes, it WAS the economy, stupid! •

Approving NAFTA and GATT Means Giving Up Our Sovereignty to Foreign Nations

Nader: Agreements Allow Others to Challenge US environmental, Health, Safety Laws

By RALPH NADER
Public Citizen
March 29, 1993

What is the most significant consumer and environmental vote facing the 103rd Congress? Reauthorization of the Endangered Species Act? Increased fuel economy standards? No, the most important votes for consumers and the environment will be on two trade agreements: the North American Free Trade Agreement and the Uruguay Round of GATT.

These agreements, as currently defined, will have far-reaching effects on this country's ability to adopt and enforce strong environmental, consumer and worker-safety measures.

NAFTA and the Uruguay Round provide dispute-resolution procedures to judge whether environmental, health and safety measures are valid under the rules of the trade agreements.

The agreements allow another country to challenge US environmental, health or safety laws as infringing on the other country's trade opportunities with the United States. If judged by a trade-dispute panel to be in conflict with the trade rules, the United States would be ordered to stop enforcing such US laws against the complaining party. The US would face stiff trade sanctions if it did not comply with the ruling.

US environmental, consumer or health laws passed by Congress or state or local legislative bodies, as well as regulations derived from such laws and enactments through popular referendum, could be vulnerable to such challenges.

The process of other nations challenging US laws can already be seen from the 1988 Canadian-US Free Trade Agreement.

Puerto Rico, a US territory, upgraded the quality of its milk supply by instituting the Pasteurized Milk Ordinance, a tougher system of regulation. In adopting this more rigorous standard for milk safety, ultra high temperature (UHT) milk from Canada no longer met Puerto Rico's requirements. Puerto Rico subsequently banned the sale of Canadian UHT milk.

Canada is now challenging Puerto Rico's standard as a non-tariff barrier. A panel of five trade bureaucrats—three from Canada, two from the United States—will hear the case. (The ratio was decided by a coin toss). If Canada wins its challenge, Puerto Rico would either have to allow the Canadian milk in or face stiff economic sanctions.

The U.S. Trade Representative stated in the brief that, "this raises the very disturbing specter of trade policy concerns being placed above legitimate health measures." This statement is ironic, since it is the same USTR office which actually negotiated the agreement and has since negotiated the NAFTA and Uruguay Round texts.

> ***"If NAFTA were approved, Mexico would be able to challenge US environmental and consumer laws. A wealth of American consumer and environmental achievements—gained through the democratic process—would be susceptible to challenge."***

Why, then, can't Puerto Rico keep its law? Because the United States surrendered its control over such laws when it approved the trade agreement with Canada.

The Puerto Rican milk safety conflict between the United States and Canada concerns nations with relatively similar governance and living standards: consumer, environmental, health, safety and labor. NAFTA would broaden the agreement and extend it to Mexico.

Mexico has a much lower standard of living and has radically lower consumer and environmental conditions. Mexico operates under a system of government where a single party controls the presidency with a de facto domination of the congress and the courts.

If NAFTA were approved, Mexico would be able to challenge US environmental and consumer laws. A wealth of American consumer and environmental achievements—gained through the democratic process—would be susceptible to challenge.

Under the Uruguay Round expansion, more than 100 nations are involved. Any of these countries could challenge US laws. Such challenges have already come about under the current GATT agreement. Right now, the US is responding to challenges to the Marine Mammal Protection Act, the gas guzzler tax on cars, and fuel efficiency standards.

As the Uruguay Round text is currently written, the onus would be shifted to the challenged nation to prove its law is not a trade barrier. It also creates a "Multilateral Trading Organization," which would possess a "legal personality" similar to the United Nations. The MTO proposal instructs member nations to "take all necessary steps, where changes to domestic laws will be required, to implement the provisions...to ensure conformity of their law with these Agreements."

These agreements would create a climate that would inhibit future progress in environmental and consumer protection. Consider what would have happened to auto safety if these trade agreements were in operation.

Auto safety advocates decided to push for airbags in cars. To do this, they had to convince the federal government to mandate the equivalent of airbag protection in cars.

If these trade agreements had been in play at the time, what would have happened is that auto companies and their political allies in DC would have said, "Oh, no. You can't have airbags because the international auto safety standard just provides for three-point seat belts. And if we require cars in the United States to have airbags, that's really a disguised way to keep foreign car imports from coming into the United States. That's a non-tariff trade barrier and therefore a violation of the trade agreement.

Consumer groups have enough problems dealing in Washington with corporate lobbyists and stubborn politicians without being told that the decisions are going to be made, increasingly by other countries, by other officials, by other lobbies that have no accountability or disclosure requirements in this country.

That's what these trade agreements really mean. They establish an autocratic structure over the US federal and constitutional systems that can make a mockery out of self-determination and legitimate sovereignty.

If Congress approves these agreements, people in Albuquerque or Butte or Chicago who want to have recycling standards , who want to push for safer food, who want to push for pollution controls, who want to exclude certain chemicals from the market-place, and who want to press for safer cars will hear from their Washington representatives and from corporate lobbyists: "Well, but the Japanese won't stand for it." Or, "the French won't stand for it."

> ***"People in the US believe they have the right and the ability to set laws without the interference of another country."***

Citizens will have a hard time tolerating such arguments. People in the US believe they have the right and the ability to set laws without the interference of another country.

As if the problems with these agreements weren't bad enough. Congress will be considering NAFTA on a "fast track" and might do the same with the Uruguay Round.

Fast track is an arcane rule that greatly restricts the ability of Congress to scrutinize and modify trade agreements submitted by the White House. No amendments to the implementing legislation or the trade agreement are permitted, debate in either chamber is limited to not more than 20 hours, and a floor vote must be taken within 60 to 90 legislative days of the submission of the agreement to Congress.

The current fast track authority established in the 1988 Omnibus Trade and Competitiveness Act expires on June 1. The Clinton Administration has announced its intent to request new fast track authority from Congress, which would cover the Uruguay Round expansion.

These agreements would subordinate decades of consumer and environmental achievements, hard-won through the democratic process, to an external autocratic process that places commercial agendas over public health and safety.

Decisions on how much pesticide should be on a peach, how fuel-efficient cars should be, or how to ensure a safe milk supply belong where the citizens affected by them can participate. These decisions belong with democratically elected officials on the local, state and federal levels.

One vote by the 103rd Congress on NAFTA or the Uruguay Round will have a serious impact on the lives of Americans. A "yes" vote on these agreements as drafted now means making our standard of living intolerably vulnerable to downward pressures toward the lower standards of other signatory countries.

"Pull up" rather than "pull down" trade agreements will occur when national debate and discussion precedes any Congressional vote. But do the pro-NAFTA forces in Washington really want informed civic activity on the subject?

Consider that the federal government is charging $82 if you want to buy the two-volume NAFTA text. •

Why the North American Free Trade Agreement is a Bad Deal for U.S. and Mexican Workers

By RALPH NADER
Public Citizen

NAFTA Threatens Jobs

*NAFTA will result in the loss of as many as 500,000 jobs in the United States by the end of the decade.

*NAFTA will continue the transfer of production and assembly jobs in the automobile and auto parts industries to Mexico.

*NAFTA will mean more apparel production jobs will leave the U.S. for Mexico—jobs that are held largely by women, minorities, particularly Hispanics, and new immigrants, and jobs in hard-pressed inner cities and rural areas. It will also begin the movement of higher-paid cutting jobs to Mexico.

*NAFTA will give Mexican truck and bus companies free access to United States highways, resulting in the replacement of U.S. drivers with Mexican drivers.

*NAFTA will permit repair of airplanes and trains used in the U.S. to be done in Mexico by Mexican workers.

NAFTA Threatens Labor Standards

*NAFTA does not contain any provisions that address the vastly different labor standards in the three countries.

***The minimum wage in the United States is $4.25 per hour. The minimum wage in the MAQUILADORA area of Mexico, the highest in the country, is $4.15 per DAY, or approximately $ .51 per hour.

***The maximum work week in Mexico is 48 hours, while in the U.S. the maximum is 40 hours.

***Hundreds of thousands of children are employed in Mexico.

***Workplace health and safety standards in effect in Mexico are less stringent than those in the United States.

***Collective bargaining rights that exist on paper in Mexico do not exist in reality, particularly in the MAQUILADORA region.

***Employer threats to relocate to Mexico will force U.S. workers to accept lower wages and inferior working conditions.

NAFTA Provides No Help to Dislocated Workers

*NAFTA contains no language providing financial assistance, jop training or jobs for workers whose jobs are relocated to Mexico.

*NAFTA raises no funds to provide such assistance to dislocated workers.

*NAFTA provides no health insurance for workers who lose their employer-provided health insurance when their jobs are transferred.

*NAFTA includes no job creation mechanism to balance its job removal effects.

NAFTA Will Increase Entry of Workers to the U.S.

*NAFTA permits employment in the United States of workers from Mexico and Canada even if there are workers here willing and able to fill those jobs.

*NAFTA phases out all ceilings on temporary entry of professional employees from Canada and Mexico.

*NAFTA permits health care employers to bring Mexican registered nurses to the U.S. to work, without complying with the Immigration Nursing Relief Act of 1989, which requires that they be paid the prevailing wage, that efforts be made to recruit or retain qualified residents for the jobs and that there not be a strike or lockout in progress or an effort to influence a union organizing campaign.

*NAFTA's ban on importation of strikebreakers is unenforceable. •

Why the NAFTA Treaty is a Bad Deal for Americans

By RALPH NADER
Public Citizen

NAFTA Threatens the Safety of our Food

*U.S. food safety standards set higher than those of our competitors could be declared illegal barriers to trade.

*Codex Alimentarius, a Rome-based U.N. subgroup would set the international standard for food under NAFTA.

*Codex would allow chemicals now banned in the U.S. like DDT to be used on grains, meat and dairy products.

*Codex would also allow fruits and vegetables to contain higher residues of chemicals severely restricted in the U.S. like aldrin and heptachlor.

*17 pesticides BANNED in the U.S. are legal for use in Mexican agriculture (fifty eight others are legal on some produce in the U.S., but are used in Mexico in ways illegal under U.S. laws).

NAFTA Spells Disaster for our Environment

*Our trading partners would have the right to challenge our environmental laws as unfair barriers to trade.

*U.S. companies who have set up Maquiladora companies in Mexico are already taking advantage of Mexico's lax environmental enforcement.

*In the Macquiladoras, General Motors is dumping xylene, a carcinogen, at 6,000 times the U.S. legal standard, and Methylene chloride at 215,000 times the U.S. standard. Another U.S. company, Stepan Chemical, was discharging xylene in an open canal behind their facility at levels 53,000 times the U.S. standard. These high levels of toxic dumping cause enormous damage to humans. In Brownsville, TX and Matamoros, Mexico areas within miles of the dumping, babies are born with a high incidence of anencephaly - no brain or only a partially developed brain. Brownsville, TX has a rate of anencephaly that is over five times the national average.

*It is estimated that the damage already done by toxic dumping in the Maquiladora region will cost $5 billion to clean up. Under NAFTA, environmental degradation could increase one hundred times.

NAFTA Means Layoffs at Home and Greater Exploitation of Mexican Workers

*....The 1989 free trade agreement between Canada and the United States saw 461,000 Canadian jobs move across the border into the U.S., mainly because of lower wages, lower real estate prices and lower taxes in the U.S. The difference between wages in Canada and the U S. is small. Mexico's wages are 10% of those in the U.S.

*....Almost 500,000 good-paying U.S. jobs have been lost over the last two decades, as corporations have moved U.S. manufacturing facilities to the "Maquiladora" trade zone in Mexico.

*Corporations in the telecommunications, auto, electronics, clothing, chemical and general manufacturing industries have set up shop in Mexico, often paying as little as 57 cents an hour.

Environmental Risks

The North American Free Trade Agreement (NAFTA) poses a serious threat to sustainable development, to environmental protection, and to human health and safety. The NAFTA must be substantially changed to adequately address environmental and social concerns.

Additional Problems with the Treaty

*NAFTA can weaken U.S. environmental, health and safety laws if they are interpreted as "barriers to trade."

*NAFTA limits the ability of state and local governments to enact more stringent environmental laws than the federal level.

*NAFTA fails to address the lack of enforcement of environmental laws and does not require corporate investors to abide by a country's environmental regulations.

*NAFTA provides no mechanism for dedicated funding to pay for environmental cleanup, particularly along the U.S.-Mexico border, building community infrastructure and expanded environmental inspection, testing and enforcement in all three countries. In addition, funds are needed to help countries raise their environmental standards.

*NAFTA fails to incorporate the "polluter pays" principle, which would create a source of funds for environmental protection and enforcement, as well as creating an incentive for environmentally responsible behavior.

*NAFTA's dispute resolution process (through which conflicts under the agreement are resolved) does not require public participation or disclosure, and in the case of challenges to environmental laws, does not require the consultation of environmental experts and organizations.

*NAFTA promotes the use and exploitation of energy resources, such as oil and nuclear power, rather than promoting the conservation of natural resources. Furthermore, it allows for subsidies for oil and gas development, but does not recognize the need to invest in alternative energy sources. •

The Great American Job Giveaway

How Trade Unionists Blew the Lid off the Government's Operation Helping U.S. Companies Send Jobs Overseas

By JONATHAN TASINI
Service Employees Union
Winter 1993

Charles Kernaghan bore down toward the meeting room in Miami's Intercontinental Hotel, his heard pounding and his mouth dry. At the very last moment, he veered away from the door, his fear momentarily getting the best of him. After talking with his colleagues, Barbara Briggs and Jack McKay, the three took deep breaths and, sporting name tags identifying themselves as top officials of the National Clothing and Textile Company, charged into a high-level strategy breakfast of the kingpins of the U.S. apparel industry.

The meeting was part of a four-day conference in December 1991 when 2,000 business executives ponied up $500 each to sit with U.S. policy-makers and international trade experts.

For two hours, Kernaghan secretly took careful notes of the discussions, pretending to be idly doodling whenever one of the well-groomed corporate titans glanced toward him. At his elbows sat Briggs and McKay who describe the time alternately as "hell" and "scary." Kernaghan adds that the meeting "taught us a lot. They were wishing away 100,000 jobs and carving up the Caribbean."

Far from being apparel executives, Kernaghan, Briggs, and McKay were undercover union activists on the trail of one of the hottest scandals which would rock the Bush administration—how the U.S. government, through the Agency for International Development (AID), spent $1 billion in taxpayer money over a decade to promote and finance the export of jobs to low-wage havens in the Caribbean and Central America. The operation was sponsored by the National Labor Committee (NLC), a committee of 21 International unions founded in 1980 to respond to labor and human rights violations in Central America. Kernaghan is executive director of the NLC and Briggs and McKay are staff members.

Editors' Note:
The For the People series of special reports, "More... for Less" will resume in the next issue of the For the People NEWS REPORTER.

Last fall, the fruit of the trio's work was the basis for a wave of media stories, including reports on "60 Minutes" and "Nightline," that reverberated through the 1992 presidential campaign. The untold story, however, is how these dedicated unionists took on the U.S. government and handed the juicy story on a silver platter to the news media.

Kernaghan's first brush with AID dates back to 1988. Then, as co-director of the National Labor Committee, Kernaghan was looking into the attacks on Salvadoran unions in that war-torn country. He was stunned to learn AID was considered almost a "second government" in El Salvador as well as in Honduras and Guatemala, spending millions of dollars of U.S. taxpayers' money to promote job flight abroad. Slowly, Kernaghan began pulling back the cloak of secrecy. He discovered the existence of FUSADES, a Salvadoran business group AID had funded to the tune of more than $102 million since 1984.

The evidence was piling up slowly, however, until Kernaghan, leafing through the November 1990 issue of *Bobbin*, the U.S. textile industry's leading magazine, stumbled on a startling ad picturing a young woman working at a sewing machine. Above the picture a headline promised "Quality, Industriousness and Reliability Is What El Salvador Offers You." At the bottom of the page, the ad told the reader that "Rosa Martinez produces apparel for U.S. markets on her sewing machine in El Salvador. YOU can hire her for 57 cents an hour. Rosa is more than just colorful. She and her co-workers are known for their industriousness, reliability and quick learning." The ad was placed by FUSADES. While Kernaghan had been aware of the activities of FUSADES, the ad was a proverbial smoking gun.

With help from a Congressional staff member, Kernaghan obtained a three-page letter from AID describing the jobs export programs in detail. "The letter just knocked our eyeballs out," he says. The investigation kicked into high gear. The goal was to tie plant closings in the United States to companies moving operations abroad with the help of AID. Some 30 U.S. apparel manufacturers have offshore plants in El Salvador, Guatemala, and Honduras, as do 68 other U.S. manufacturers and retailers. Since 1990, these same companies have been involved in 59 plant closings and mass layoffs in the U.S. that left more than 12,000 American workers jobless. The mostly female factory workers in Central America earn as little as 40 cents an hour.

NLC researchers Barbara Briggs and Jack McKay spent endless hours researching U.S. plant closings through a labyrinth of corporate ownerships. McKay subscribed to dozens of magazines from Central America to find out where a company was opening a new operation. "It was a 12-hour-a-day, six-days-a-week job just to put together a list of the companies and what they were up to," says McKay. "Sometimes we had to go through seven or eight thick documents just to prove who owned what and what the parent company was doing abroad."

Though the picture was becoming more clear, the foundation of the story still needed, the three decided, an inside look at how AID wooed prospective companies. "We needed some way to get information. We needed to seem interested in going down to Central America," says Briggs. Sitting around a table one day, they hatched the idea of a "sting": setting up a dummy company to pave their way into the inner circle of corporate America. The four-day Miami conference with international trade experts seemed like the perfect setting to kick off their operation.

Shortly before the sting began, Kernaghan paid a visit to the Amalgamated Clothing and Textile Workers Union (ACTWU) president, Jack Sheinkman, to discuss plans for the "dummy" company. Sheinkman, co-chair of the NLC, had been the driving patron behind the NLC from its inception despite criticism from more conservative elements of the labor movement. Kernaghan suggested that the company be called National Clothing and Textile Company—later changed to New Age Textiles. Sheinkman's immediate question: What are you going to sell?

It was Scheinkman's secretary, Donna Smith, who came up with the brainstorm. To take advantage of consumer's new environmental awareness, why not sell canvas bags, she suggested, to replace plastic bags used by grocery stores?

Within days Kernaghan, Briggs and McKay were airborne to Miami armed with business cards and stationery, although the canvas bags were not ready because of the short notice. On the flight, they rehearsed their cover. Every detail about their story had to contain a thread of truth so they could avoid being tripped up. Kernaghan was the company's president and founder. His money, he would say, came from the family construction business and real estate holdings on the Lower East Side of Manhattan, where he lives in a small apartment. Briggs, the director of human resources, would talk about the vast potential of marketing the product in grocery stores throughout Massachusetts (where she lives). McKay, the projects director, was ready to spin a convincing yarn about the untapped markets in Guatemala (where he lived for one month).

From the outset, the three had to play a game of hide-and-seek. The National Labor Committee could not afford the pricey Intercontinental Hotel where most of the company executives were staying, so the trio holed up in a cheap motel not too far away. Every morning, they would dash to the hotel and saunter into the lobby to mingle with the other conference attendees as if they had just been out for a morning walk. They were always self-conscious about their dress which, although top-notch in their world, seemed like Salvation-Army issue next to the $1,000 suits and Rolex watches.

If they feared their act would fall flat, it became quickly apparent that the canvas bags were a hit. They were buttonholed by foreign businessmen. One day they were taken to a large empty warehouse where they were served lunch on white linen and fine china as an incentive to stockpile future shipments in the cavernous space. The mayor of Rotterdam wined and dined them one evening, begging them to ship the bags to Europe through his port.

More important, trade representatives from countries like Jamaica, Guatemala, Honduras, and El Salvador made pitches for their respective countries. Walking from booth to booth, Kernaghan heard the representatives' offers of non-union, low-wage, no-tax business conditions.

One week after returning from Miami, the sting widened. A separate telephone line was set up to bypass ACTWU's switchboard, a bank account was opened with a Fifth Avenue postal address, and the name of the company was changed to New Age Textiles (NAT). "Now we could have even deeper conversations with FUSADES (the AID-funded Salvadoran business group) about expanding our business," says Kernaghan.

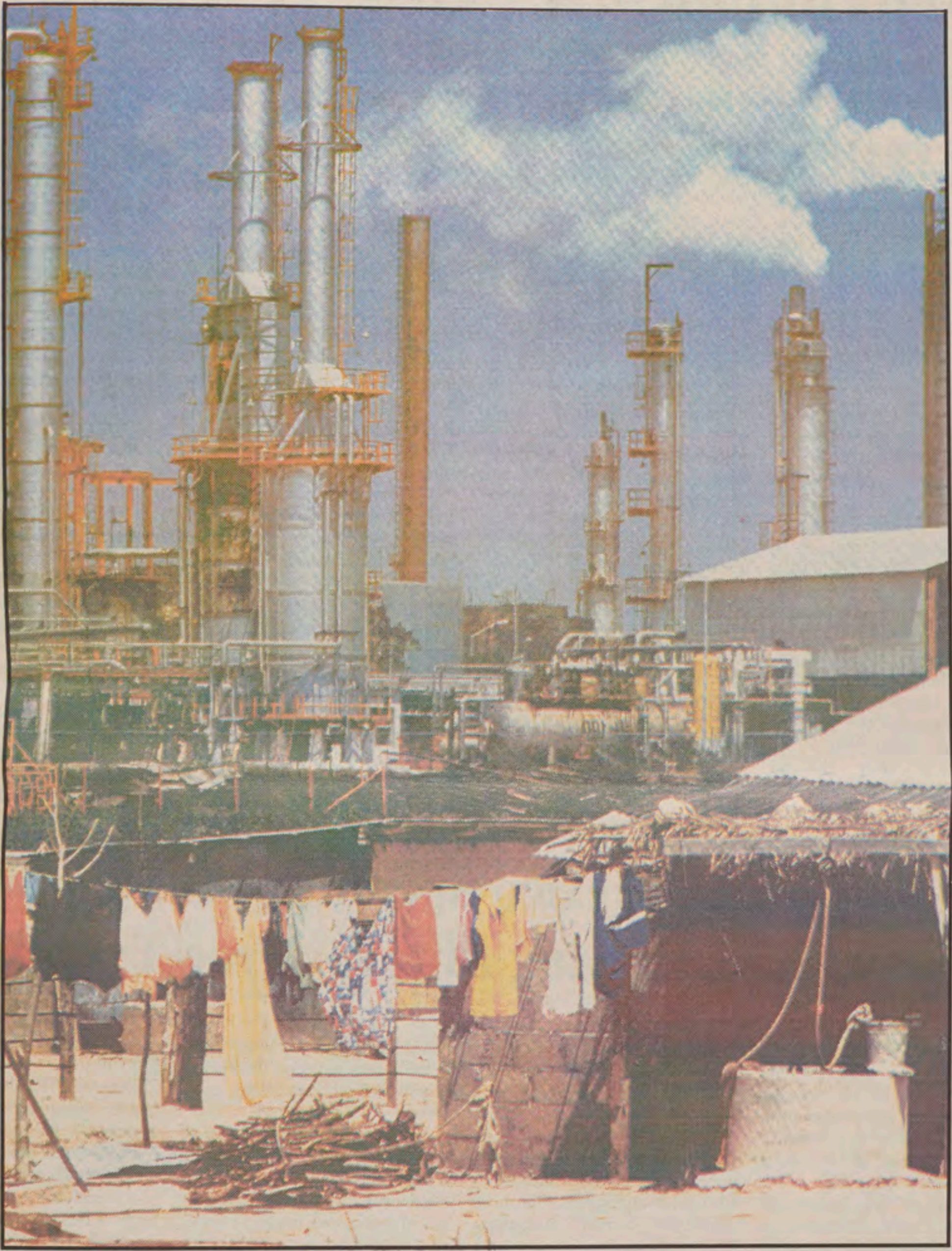
Slowly, the NLC office became a storage room for a massive array of AID documents with almost every one providing a missing piece of the puzzle.

By early spring 1992, Kernaghan was ready to approach "60 Minutes" with the story of AID's jobs export program. Armed with the voluminous research, he made the pitch. It took him only five minutes to sell the story to the shows's producer, David Gelber (who would later pose as an NAT executive), but the conditions were stringent. "60 Minutes" demanded complete exclusivity. From that moment on, the project went further underground fearing that idle talk would blow the deal.

"We lived with terror for six months," recalls Kernaghan.

The first stop with the "60 Minutes" crew was the Bobbin Contexpo "Apparel Show of the Americas" in April 1992 in Miami. Kernaghan glided around the expo with a soft black side bag

(See **Giveaway**, page 17)



Hundreds of U.S. manufacturers seeking cheap labor and fewer regulations have moved their businesses to Central America, Mexico, and the Caribbean.

Giveaway, from pg. 16

slung over his shoulder with a tiny holecut out of the front. Inside the bag, a hidden camera recorded his conversations. At the Jamaican Promotions Corporation (JAMPRO) exhibit, Stuart Anderson, who worked for AID, extolled the virtues of moving offshore to Jamaica by promising labor costs of 60 cents an hour, no taxes and, most important, he said, "we're not union (in Jamaica). You're gonna be ahead of the game." JAMPRO, the NLC found out, received $23.5 million from AID.

The big break, however, came when Kernaghan and his group accepted the invitation of FUSADES and its AID-funded Honduran counterpart, Foundation for Investment and Development (FIDE), to visit export processing zones in Honduras and El Salvador. At every stop, Kernaghan was reassured that his company would not have to worry about labor problems: an illegal, secret blacklist weeded out any potential union supporters. At the INHDELVA Export Processing Zone in Honduras, the zone manager told Kernaghan—and the "60 Minutes" camera—to "just present a list of job applicants and we tell you, okay, you have to get rid of this one or you have to get rid of that one...." NAT also was offered an AID grant to train Honduran workers and money to cover airfare and hotel fees for NAT technical staff.

Then, it was on to El Salvador where Kernaghan lured John Sullivan, the deputy director of AID's trade and investment office at the U.S. Embassy, to a "power lunch" at the Sheraton Hotel. Kernaghan and his "60 Minutes" sidekicks carefully set up the hidden camera on a credenza, putting coats and other items on any empty chairs so Sullivan would be forced to sit opposite the camera. Sullivan was thrilled to hear that NAT was considering relocating to El Salvador. "We've got a big project here at the free trade zone," he said excitedly. "(It) is one of the things we've been pushing a lot." He, too, reassured Kernaghan that pro-union workers would be screened out.

Laden down with hundreds of feet of film, the team returned to the United States with the unassailable evidence. There were still key interviews to be done during the summer by th network's news show includi "60 Minutes" correspondent E Bradley's interview with the hea of AID. Kernaghan and his cohorts would have to wait in agony as the segment was scheduled and then postponed, playing havoc with their plan to lift the veil of secrecy on the investigation and publicize their findings. Finally, on September 27, 1992, 50 million Americans watched how their tax dollars were paying for the loss of U.S. jobs.

After the story broke, the NLC found itself deluged by calls from the Clinton-Gore-campaign staff which saw the potential to blast the Bush administration for its activities. Indeed, for the next several weeks, the Democratic presidential and vice-presidential candidates peppered their speeches with references to the still-emerging scandal. President Bush, Vice President Dan Quayle, and Labor Secretary Lynn Martin all denied that the United States gave a helping hand to companies seeking to relocate in the Caribbean Basin. When Senator Al Gore raised the issue during the vice-presidential debate, Dan Quayle responded, "Never have we ever, nor would we support the idea of someone closing down a factory here and moving overseas."

The "60 Minutes" piece moved Congress into action. With the weight of the piece behind them, the NLC, AFL-CIO, and other labor groups lobbied Congress to pass legislation prohibiting use of AID money to assist American businesses in relocating their plants overseas. The bill was passed in October 1992.

Once the story aired in the media, the election was over, and the legislation was passed, Kernaghan, Briggs, and McKay were able to step back for a moment and savor their work. Kernaghan sums it up succinctly. "Three people with no background in this stuff took on the U.S. government and kicked its butt." •

Mexican Corruption and NAFTA

U.S. businessmen are up in arms over bribery and unfair practices in Mexico, which may become a serious issue in the free trade debate..

By DAVID CLARK SCOTT
Staff writer
Christian Science Monitor
April 8, 1993

MEXICO CITY—Charles Harris is in Mexico posting his version of Old West "Wanted" posters.

WANTED: A clean Mexican judge.

REWARD: $300,000 for anybody who can collect an unpaid loan in a Mexican court without paying a bribe or illegally influencing the judge.

Since 1982, Mr. Harris has been trying to recoup a $110,000 loan made to the director of a Spanish language school in Michoacan. Although the loan was made here in front of Mexican witnesses, Mexican courts have ruled they have no jurisdiction because Harris and the school director are United States citizens. The US courts say they have no jurisdiction over a Mexican business contract.

Now on his fourth lawyer, Harris says: "All my lawyers tell me that I'm not winning because I'm not paying the judge."

The Harris challenge—and other recent cases of alleged corruption—touch on a familiar complaint by foreigners doing business in Mexico: Even under reform-minded President Carlos Salinas de Gortari, bribes are a standard operating procedure and there is no legal recourse for those who buck the system.

Many acknowledge that President Salinas has reduced red tape and made it easier for foreign businesses to operate without resorting to illegal payoffs. But the problem remains well-entrenched, they say. And the issue of corruption is now starting to catch the attention of those opposing the North American Free Trade Agreement (NAFTA).

"High-level government complicity in corruption is a powerful argument against free trade. It will be one of the most important issues in next year's elections and it would be extremely naive not to be concerned about it," says Ricardo Pascoe, a close adviser to Cuauhtemoc Cardenas, presidential candidate for the left-leaning Party of the Democratic Revolution.

NAFTA Considerations

In the US,. Sen. Ernest Fritz Hollings (D) of South Carolina has questioned whether NAFTA would open the door to more "free trade or fee trade."

Politicians and organizations questioning the wisdom of uniting widely disparate business cultures and legal systems under NAFTA are likely to focus not just on the Harris case but also on the potentially more explosive International Business Machines Corporation (IBM) scandal.

The story broke Feb. 3 in The *Financial Times*, where British businessman Kaveh Moussavi alleged that IBM's division in Bethesda, MD., lost a $21 million bid to update Mexico's air traffic control system because it failed to pay a $1 million bribe.

Mr. Moussavi was approached on Nov. 9, he says, by three men in the lobby of the Hotel Nikko in Mexico City. They refused to give their names, but as "credentials" they showed Moussavi government confidential documents and discussed how IBM could "win" the bid.

"I was IBM's agent. I was eating, sleeping and dreaming this tender. But these guys knew it better than I did," says Moussavi in a telephone interview.

Moussavi returned to his room and called his boss in the US. They agreed US law forbids such payments. But the payment could be legal if the three men could prove they weren't Mexican officials or the money wouldn't go to government officials, he recounts in a detailed account published in *Proceso*, a Mexican news magazine.

Moussavi went back to the lobby, but the men refused to reveal their identities. Ten days later, the bidding was canceled. In December, a new round of bidding was held under new specifications and French and Italian firms won the contract.

IBM Officials Back Article

IBM officials in the US backed the idea to go to The *Financial Times*, Moussavi says. "IBM was outraged when they lost. They were outraged not only because they lost, but they lost for the wrong reasons. They were absolutely determined to expose the corruption," he says.

Moussavi cites a Dec. 16 letter from Roger Boyd of IBM which states: "I am now relatively certain that the cancelation of the previous bid was engineered by someone with influence who needed some way to lower their price."

But when the story broke on Feb. 3, IBM and its Mexican subsidiary, which was not involved in the bidding, both scrambled to distance themselves from Moussavi's claims. IBM denied a bribe had occurred. A brief investigation ensued. On Feb. 19, the Mexican government ended the investigation, saying neither Moussavi nor IBM had been able to provide any evidence of a bribe.

Moussavi is furious. He calls it a "complete and cowardly" coverup to protect corrupt Mexican officials and IBM de Mexico's interests. In the coming weeks, Moussavi will file a defamation and breach of contract suit against IBM in the US and will seek punative damages amounting to "millions," according to his attorney, Robert Perry, a partner at Wilkes, Artis, Hedrick & Lane, a Washington law firm.

Moussavi says IBM abandoned him and taped conversations will prove his story. He also scorns the Mexican government's investigation.

"The sum total of the investigation is a half-page fax to my lawyer with two questions. They never asked if I could describe the men, what they were wearing, did they speak English, any distinctive features, or the circumstances which led to our meeting," he relates.

"Imagine you're walking down the street and witness a bank robbery and report it. The police then ask only two names and did they work at the bank? If you answer no, would it be fair to end the investigation and conclude the bank was never robbed?"

Moussavi says he also intends a defamation suit against IBM of Mexico and Andres Caso Lombardo, who was, until last week, the secretary of communication and transportation.

How far is such legal action in Mexico likely to get? Moussavi asked a well-known Mexican lawyer to take his case. The lawyer wrote back on March 24, before Mr. Caso stepped down, stating: "A penal accusation against a current minister hasn't a chance to prosper, and I don't advise you bring it if in your perspectives are business in Mexico."

Moussavi says he's done business in Mexico for years. "This wasn't the first time I'd been approached for a bribe. But I saluted Salinas for trying to clean up Mexico. I thought the atmosphere had changed....I was naive."

A Mexican government spokesman rebuts Moussavi's sweeping conclusion. "There are many foreign companies in Mexico who have been here for years without any trouble or complications. Look at the figures for foreign investment: in excess of $25 billion over the last four years. That's a very good sign of how investors feel about coming to Mexico."

Nonetheless, US congressional sources say they will dig into the issue. On April 29, the Senate Commerce Committee will be holding hearings on NAFTA. Moussavi hasn't yet been invited to testify. But a senior congressional staffer says, "The Moussavi case will be making the rounds on Capitol Hill as a prime example of the risks you take when doing business in Mexico." •

Mexico Spending Millions on Lobbying Blitz for Free-Trade Pact

By MATTHEW C. VITA
Cox News Service
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WASHINGTON—In its drive to win approval of the North American Free Trade Agreement, Mexico is waging one of the most expensive lobbying campaigns ever mounted by a foreign government on a single issue.

The public relations offensive dwarfs Kuwait's courting of the U.S. public opinion after Iraq's 1990 invasion and may exceed the landmark congressional blitz mounted by electronics giant Toshiba to avoid trade sanctions five years ago.

"I don't think we've ever seen a campaign this large or this expensive," said Charles Lewis, director of the Center for Public Information, a watchdog group.

Over the past 12 months, Mexico has assembled a high-powered team of public relations specialists, lobbyists, lawyers and consultants that include some of the biggest names of the Washington influence-peddling machine.

Mexico's lineup includes a former U.S. trade representative, a onetime top aide to Treasury Secretary Lloyd Bensten, a member of President Clinton's transition team, a former secretary of the Navy, a former governor of New Mexico and the chief of protocol in President Jimmy Carter's White House.

All that talent doesn't come cheap. Public records show that Mexico spent at least $14 million last year. And because of loopholes in federal lobbying disclosure laws, the real figure is likely much greater.

"At a minimum, [the reported figure] represents probably a half or a third of what they are spending," said political writer Pat Choate, whose book "Agents of Influence" exposed Japan's Washington lobbying machine.

"This is going to be a $50 to $100 million effort this year," Choate said. "The Mexicans will spend a minimum of $50 million themselves. Then take American companies—it's easy to say $100 million combined."

Mexico's lobbying campaign is expected to come under fire Wednesday when Ross Perot testifies at a Capitol Hill hearing on NAFTA's impact on small businesses.

Mexico makes no apologies. "When in Rome, do as the Romans do," said Herman von Bertrab, head of the Mexican Free Trade Office, who insists that the larger estimates of how much Mexico is spending are hugely inflated.

Von Bertrab, a Mexican businessman tapped to open the Washington trade office two years ago, believes Mexico sold itself short for many years by staying out of the influence-peddling business. •

Continental Drift

NAFTA and Its Aftershocks

By RICHARD ROTHSTEIN
The American Prospect
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THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA) IS A SYMBOL OF MEXICO'S INCORPORATION INTO THE U.S. ECONOMY AS A LOW-WAGE MANUFACTURING CENTER. THIS ECONOMIC INTEGRATION WILL DRIVE DOWN WAGES, EMPLOYMENT, AND LIVING STANDARDS, WHILE ROLLING BACK ENVIRONMENTAL REGULATIONS IN THE UNITED STATES AS WELL AS IN MEXICO. But NAFTA is only a symbol: the low-wage approach to economic integration continues apace with or without NAFTA. The treaty was mainly designed not to promote economic changes (which were happening anyway) but to improve the domestic political fortunes of Presidents Bush and Salinas. However, many Americans appropriately concerned about declining labor and environmental standards that result from integration with Mexico have fallen into the trap of opposing NAFTA while giving less attention to the underlying economic strategies followed by both nations regardless of the treaty's formalization.

Consider the trading practices that have developed even without NAFTA. General Motors is now Mexico's largest employer. Ford, Chrysler, and GM already own a total of 64 plants in Mexico. Half a million Mexicans now work in some 2,000 border plants (*maquiladoras*) that export to the United States, paying minimal tariffs, low wages, and little attention to environmental standards. While not all these maquila jobs would otherwise move north of the border in the absence of these advantages (some might move to Asia or the Caribbean instead), clearly the maquila sector has displaced hundreds of thousands of American assembly manufacturing jobs. Defenders of maquila manufacturing assert that these plants create markets for American-made machine tools and unassembled components. But an American machine shop gains nothing when the assembly plant it supplies moves from Wisconsin to Mexico.

In 1989, American-owned transnational corporations added 48,000 new manufacturing jobs at home, while they added 46,000 in Mexico. This investment pattern cannot be attributed to the prospect of NAFTA—Mexico's President Salinas did not make his surprise announcement seeking a free trade agreement until 1990. American manufacturers already have sufficient incentives, without NAFTA, to create all the jobs they can in Mexico. In Mexico's export sector, labor productivity often equals that in the United States, while real wages have declined nearly 50 percent since 1982. Following this dramatic decline, Mexican wages are now substantially below Asian rates: by 1989, the average Mexican manufacturing wage had fallen to 16 percent of the U.S. wage, while the Singapore wage was 22 percent and the Korean and Taiwanese wages 25 percent of U.S. rates.

Mexico's unions, controlled by the ruling party, help attract export firms with solidarity pacts that, since 1988, have continued to hold wage increases below the inflation rate. A recently announced pact continues this policy through 1993. This summer, a Mexican court upheld Volkswagen's discharge of 14,000 employees who repudiated a contract negotiated by the union's government-sponsored leadership. In 1987, Ford Motor Company renounced its union contract, discharged 3,400 Mexican employees, and then rehired them with a new union contract at reduced wages and benefits. When workers protested in support of dissident union leadership, gunmen hired by the official union shot workers at random inside the Ford factory. Then 1,000 state police entered the plant to enforce the new contract.

Mexico's industrial environmental regulations, on the books, are comparable with those in the United States, but are rarely enforced. Despite President Salinas's pledge that Mexico would stop attracting investment with lax enforcement, the General Accounting Office last year examined six new pollution-prone American factories in the maquila sector and reported that none had obtained permits, required by Mexican law prior to operations, certifying that waste disposal and pollution control systems are in place. NAFTA won't change this. NAFTA contains bold provisions barring import to the United States of a product that is dangerous to consumers' health or safety, like a child's crib with sharp edges, but contains no provisions by which Americans can challenge the import of a crib that is unsafe for the Mexican workers who spray-paint it. Nor can we challenge a Mexican manufacturing process that depletes the ozone layer by failing to spray in sealed chambers (like those required in the U.S.). That's why a flood of Southern California furniture plants moved to Mexico when air quality regulations were tightened in Los Angeles and why they expect to continue manufacturing in Mexico after the treaty is in place.

IN A REMARKABLE LEAP OF LOGIC, NAFTA opponents habitually warn of NAFTA's dangers by pointing to environmental devastation and job loss that has already taken place. Since intentions to negotiate NAFTA were announced, hardly a month has passed without highly publicized pilgrimages of trade unionists, environmentalists, and Democratic politicians to the Texas or California borders. There they highlight sewage and industrial effluent in the Rio Grande, children working in factories that make clothes or electronics for export, or Mexican workers' families storing drinking water in toxic waste barrels.

The pilgrims' conclusion is invariably: reject a free trade agreement with Mexico! It is surely a case of rushing to shut the barn door after the horses have fled. Whether NAFTA is approved or rejected, the movement of industrial employment from the U.S. to Mexico will continue. The trade-weighted average American tariff on imports from Mexico is already too low (4 percent) to impede this relocation.

Lurking behind the misleading debates about NAFTA is a much broader issue. Will we pursue an approach to global commerce and Third World development that defends wages in the industrialized countries while insisting that increased productivity in the Third World translate into increased living standards so that consumption can grow along with production? Or will we permit liberalization, privatization, and deregulated competition to slash wages and hence living standards in both regions? The former path requires debt relief, expanded development lending, protection for "infant industries," increased labor and environmental regulation, domestic content rules, and above all increased purchasing power in the Third World. The latter, laissez-faire path, relies primarily on private capital and the natural tendency of transnational corporations to seek the lowest possible labor costs. NAFTA needs to be understood as a symptom of this broader problem, not as the problem itself.

Stealing Each Other's Clothes

NAFTA opponents concede that job dislocation will continue with or without a free trade pact. They claim, however, that particular provisions of the agreement will accelerate job loss in vulnerable sectors—apparel, for example. The U.S. and Mexico have an exhaustive agreement under the Multi-Fibre Arrangement (MFA), with numerical quotas established for every conceivable fabric and garment. The U.S. apparel industry has lost 300,000 jobs since 1978, due to labor-saving technology and Third World imports. Apparel imports from Mexico's maquilas have shot up from $360 million in 1986 to $844 million in 1991. If, critics charge, NAFTA supersedes the MFA and quotas are lifted, a greater flood of imports will destroy many thousand more American jobs. In a 1987 Labor Department survey, 32 percent of apparel workers who lost their jobs in plant closings or layoffs in the prior four years had still not found new jobs. Surely, NAFTA opponents claim, apparel is a case where the barn door can be slammed before it's too late.

Not so. MFA quotas for Mexican-assembled apparel are already meaningless. As the U.S. has warmed to Mexico's economic reforms, quotas for Mexican apparel have risen dramatically. While the MFA sets a 6 percent annual growth norm for developing country exports, in 1988 the U.S. granted Mexico a 42 percent increase in apparel quota. In 1990, many garment types were granted additional 25 percent growth while other categorical limits were abolished. A subsequent pact negotiated in 1991 contained more big jumps. Our MFA agreements with Mexico also increase quotas whenever Mexico approaches its ceiling—making the entire quota system almost meaningless. In 1992, the Congressional Office of Technology Assessment surveyed apparel exporters in Mexico and reported that "with one exception, every apparel maker interviewed claimed that they could get all of the quota they needed."

Yet even so, Mexico cannot count on apparel exports as a secure source of foreign exchange. Mexico's free trade strategy can work only if Mexico has *privileged* access to U.S. markets. But as "free trade" expands, Mexico's competition with other nations for U.S. investment will become cutthroat. Fighting with other nations for shares of a finite U.S. market, Mexico could lose.

An indiscriminate worldwide free trade crusade along with a practice of using American jobs as foreign policy pawns have led to quota concessions for other nations, undermining advantages Mexico expects from favored status. President Bush thanked Turkey (the world's ninth biggest apparel exporter) for its help in the Persian Gulf by doubling Turkey's U.S. quota in men's trousers to 4 million pairs a year. To encourage the breakup of communism in Eastern Europe, President Bush increased apparel quotas for Poland, Hungary, and Czechoslovakia. We supported the Aquino government in the Philippines by granting liberal apparel quotas, and that nation's $500 million apparel export industry is now equal in size to Mexico's.

When the Reagan administration worried about leftist politics in Jamaica, the U.S. promulgated a Caribbean Basin Initiative that virtually eliminated quotas for Caribbean apparel. From 1986 to 1991, while American apparel imports from Mexico grew by 221 percent, imports from other Caribbean countries grew by 245 percent and are now four times the level of apparel imports from Mexico. Guatemala's export sector, for example, has 70,000 apparel workers, up from 2,000 only eight years ago, and is now one-and-a-half times the size of Mexico's maquila zone. In 1986, Guatemala, like Mexico, began an economic stabilization program designed to attract exporters. Like Mexico, Guatemala used a combination of currency devaluation

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and wage restraint to reduce labor costs in export industries. As a result, Guatemala's apparel wages are now 20 cents an hour, about one-fourth of Mexico's maquila apparel wage. Van Heusen is the largest U.S. employer in Guatemala, employing 1,000 workers and exporting 20,000 shirts a month. Guatemala's apparel exports to the U.S. rose from $22 million to $350 million from 1986 to 1991.

China is already the world's largest textile exporter, with capacity to overwhelm every other nation's garment industry. While human rights issues have lately tempered quota increases, China's apparel exports to the U.S. grew in the mid-1980s by 19 percent annually. With or without NAFTA, Mexico's garment plants will increasingly compete with Chinese exporters having lower wages and superior productivity. In the context of worldwide trade liberalization, it is difficult to argue that NAFTA's lifting Mexican MFA quotas will be a major cause of continued devastation in America's apparel industry.

Southern Hospitality

NAFTA really can't make trade any freer than it already is. NAFTA opponents suggest, however, that the treaty will stimulate greater U.S. job loss by making investment in Mexico more secure. Yet while the agreement contains additional security for investment (guaranteeing, for example, the right to repatriate profits) along with dispute resolution procedures that give U.S. capitalists the property rights of their dreams (without the tort system they abhor), it is not credible to argue that these new legal protections will stimulate vast new investment in Mexico. American firms have shown no sign of withholding investment in Mexico out of fear that property rights are not secure.

U.S. companies considering foreign investment are generally more wary of exchange-rate risk than of political risk. But NAFTA establishes no currency union or even coordinated monetary policy between the U.S. and Mexico, so the treaty itself will not protect the dollar value of peso investments. The peso has fallen from 25 to the dollar in 1981 to 3,100 to the dollar today, and more devaluations are probable. Nonetheless, U.S. direct investment in Mexico continues to grow at the rate of $2.5 billion a year. This flood of cross-border investment continues because the primary purpose of manufacturing in Mexico is export back to the United States.

Devaluation may affect the paper value of Mexican assets on American firms' books, but it also cheapens the cost of labor and other Mexican inputs, enhancing export profits. U.S. investors' lack of concern about future peso devaluation and their failure to press for monetary coordination in NAFTA is perhaps the best evidence that, contrary to public propaganda, these firms have little interest in selling to the Mexican market. They don't care about the possible low value of sales in pesos. Only sales in dollars matter, and a cheap peso helps that.

In truth, while Mexico is unlikely under any circumstances to get the $15 billion annually in foreign capital that rapid growth requires, no treaty is needed to cement Mexican hospitality to U.S. investment. Without NAFTA, Mexico has privatized banks, state enterprises, and agricultural land. It now permits 100 percent foreign ownership in even basic industries like cement, glass, iron, steel, and cellulose. It has eliminated most domestic content rules and abolished subsidies to once-protected industries. Indeed, the Mexican government, in its desperate search for foreign capital, reinterprets restrictions too politically charged for NAFTA to repeal. For example, NAFTA fails to remove Mexico's constitutional prohibitions on foreign ownership of oil reserves and on "risk contracts" (where royalty payments are contingent on successful exploration). Yet the Mexican government now permits risk contracts in all but name, labeling them "performance contracts" where payments (not called royalties) to foreign firms reflect the rate at which oil is pumped.

In short, if Mexico wants (or needs) to open its economy to foreign investment, it does not require U.S. treaty consent to do so. And if those who are less hospitable to U.S. influence someday come to power in Mexico, NAFTA can be repudiated with little difficulty. The U.S. army, the International Monetary Fund (IMF), the World Bank, and international capital markets offer much greater disincentives to radical policy change than does a paper treaty.

IF NAFTA'S OPPONENTS EXAGGERATE ITS COSTS, NAFTA proponents also engage in flights of fancy in touting the treaty's benefits. They may acknowledge that relocation of American manufacturing to Mexico will continue. But they also allege that the job losses will be offset by gains in U.S. export industries that will now find new market opportunities with Mexico's "80 million consumers."

Leading the pack of economists arguing a case for NAFTA have been MIT's Rudiger Dornbusch and the University of Texas's Sidney Weintraub. Each argues that as Mexican industrialization proceeds, not only will U.S. consumers benefit from the lower cost specialization ("comparative advantage") of trade between the two nations, but competition in Mexico for scarce skilled and semi-skilled manufacturing labor will increase demand for labor, thus raising wages. Economies of scale (from serving U.S. markets) and greater capital investment in technology will lead to increased Mexican productivity and also higher wages. Then Mexican purchasing power will grow, along with Mexicans' appetite for U.S. imports. As Dornbusch testified before a congressional committee, "Mexican wages will rise, the internal market will expand, and a good part of the extra demand will spill over to the U.S. in orders for our export industries."

It is true that U.S. firms are selling more toothpaste, diapers, cameras, clothing, and other consumer products in Mexico since Mexican import restrictions were dropped and tariffs lowered. Yet expectations that such growth can continue are unrealistic. The Mexican middle class is tiny; relatively few Mexicans can shop for any but the most basic U.S. consumer products. Unless incomes of Mexican workers increase dramatically, the Mexican consumer market will provide little long-term benefit to most U.S. exporters.

Mexican incomes are unlikely to grow substantially. Mexico has so many unemployed and underemployed workers that labor markets will not tighten to cause a general increase in wage levels. Mexico needs a 6.5 percent annual growth rate just to provide employment for one million new work force entrants each year, making no dent in the present labor surplus. Yet even optimistic observers hope for less growth than that. The Brady Plan to "solve" Mexico's debt crisis assumed future Mexican growth of 4 percent, assuring that the labor surplus would grow. (In 1991, Mexican GDP grew by 3.6 percent, and 1992 estimated growth was 2.5 percent.)

With greater economic integration, the surplus labor pool could increase rather than shrink. As part of its economic liberalization, Mexico has deregulated agriculture and permitted sale of agricultural lands, withdrawn subsidies from subsistence farmers, and opened Mexico's food and feed markets to greater competition. Many Mexican peasants will be unable to compete with the United States's highly mechanized grain exports once Mexican agricultural protection is fully dismantled. Rural workers will flood industrial labor markets and depress wages, offsetting any tendencies of labor markets to tighten from increased investment.

It is also unlikely that heightened Mexican industrial productivity will lead to higher wages. Mexican automobile engine plants, for example, operate at 80 percent of U.S. productivity rates, yet wages in these plants are only 6 percent of U.S. wage rates. As Walter Russell Mead has documented, wages and productivity diverge in export plants throughout the Third World. In Asia, as nations like Bangladesh and Thailand have hosted increased transnational investment, wages declined while productivity increased. In South Korea, it took nationwide riots in 1987, toppling the Park-Chun dictatorship, before wages of highly productive Korean workers began to inch up. In Mexico, real manufacturing wages fell by 24 percent while industrial productivity increased by 28 percent from 1980 to 1989.

In the United States in the 1980s, real wages also fell as industrial productivity climbed, while in Japan and most European industrialized nations, productivity and wages rose together. In the real world, the relationship between productivity and wages is far looser than in textbooks; wages are affected more by a government's fiscal, monetary, and labor market policies (Mexico's "solidarity pacts," for example).

Virtual Unreality

Experience plainly suggests that while Mexican productivity may grow, wages and purchasing power may not rise, and U.S. exporters may not find the consumer markets they've been promised in Mexico. Nonetheless, a widely cited claim for U.S. export growth from NAFTA came in 1992 from Gary Hufbauer and Jeffrey Schott of the free-trade-oriented Institute for International Economics, who predicted that the treaty will create precisely 130,000 U.S. jobs.

Their claim, subsequently raised to 175,000, was picked up by economists (and, of course, the Bush administration) noted for an utter inability to make accurate predictions about other economic phenomena. The very forecasters who can't predict future growth, unemployment, interest or inflation rates claim to know precisely how many jobs the integration of Mexico and the United States will create.

Free trade promotion has been supported by computer modeling, an academic fad in which complex equations describing observed economic behaviors are fed into computers and "run" with alternate policies. A variety of models floated around Washington as NAFTA was being negotiated. The Hufbauer-Schott version made several dubious assumptions—for example, that dollars invested in Mexico would not otherwise have stayed in the U.S. but would have gone to Asia or the Caribbean. Thus Hufbauer and Schott calculated the new jobs in Mexico that would result from additional U.S. investment there, but declined to calculate American job losses from a corresponding investment decline here. Their assumption may have been valid in some cases (certainly Mexico's openness has attracted some investment from Asia), but when they assumed it would be true in all cases, they guaranteed that their computer analysis would predict exactly the free trade benefits they hoped for. Garbage in, garbage out.

In 1987, the U.S. and Canada negotiated a free trade treaty. Similar computer modeling helped win Canadian support. For example, two Ontario professors, David Cox and Richard Harris, reasoned that Canadian companies would be more efficient with unimpeded access to the larger U.S. market. By adding equations for these "economies of scale," the professors computed that free trade would make Canada's GDP grow by exactly 8.74 percent.

Other computers generated different estimates. A Canadian government commission reported that benefits to Canada's economy would range from 3 percent to 8 percent, depending on the computer model used. Then-U.S. trade negotiator Clayton Yeutter announced that Canadian duty-free exports to the U.S. would grow to $19 billion annually, while U.S. exports to Canada would only be $13.5 billion.

The result was somewhat different. In the first two-and-a-half years of Canada-U.S. free trade, Canada's economy actually shrank by 0.5 percent. Canada lost 90,000 jobs and unemployment jumped from 7.8 percent to 10.5 percent. Cox and Harris's computer predicted employment gains of 62 percent in Canada's transportation equipment (auto) industry during this period; instead, employment declined by 15 percent. Their prediction of 262 percent growth in Canada's clothing industry became, instead, a 33 percent job loss.

These forecasting failures,

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along with economists' inability to predict other trends, don't faze the modelers who now promote benefits of free trade with Mexico. They have a ready explanation: Canada's job losses result not from free trade but from the higher value of the Canadian dollar and the Canadian recession. Had it not been for these, they aver, free trade would have produced the predicted growth.

They may be right—or wrong. No economy behaves like these models. Currency swings, business cycles, and changes in fiscal or labor policies will overwhelm the isolated effects of a single policy like a trade pact with Mexico.

As imports from developing nations expanded in the 1980s, American manufacturing jobs were lost and real incomes declined. A combination of policies contributed—not only low-wage imports but failure to invest in education, public works, and worker training; a preference for financial speculation over manufacturing; hostility to unions; budget deficits requiring high interest rates and dollar values; and World Bank and IMF policies to depress Third World purchasing power so that these nations' bank debts could more easily be repaid.

Mexican wages have fallen in the last decade, despite employment and productivity growth, because Mexico's need for export earnings to service a $100 billion foreign debt required ever lower wages to attract investors to export plants. Mexican policy could not allow wages to increase, for rising incomes would supply domestic purchasing power to compete with exporters for factory production. If, on the other hand, Mexican incomes could have grown, Mexicans would not only have purchased more U.S. goods but more products from their own plants, leaving less available for export to the U.S. and thus less job destruction here. All told, the U.S. suffered a decline of 1.1 million jobs as a result of lost export sales from developing-nation debt crises of the 1980s.

With or without NAFTA, manufacturing jobs will continue to move south, while Mexican incomes will remain too low to permit many purchases of American consumer goods. We now have a temporary trade surplus with Mexico because of the pent-up demand of Mexico's tiny middle class, because the peso's devaluation has not proceeded rapidly enough to erase an artificially cheap dollar value (a situation that cannot continue for long), and because we export so much industrial machinery to Mexico. But the peso is not strong enough to support a permanent trade deficit, and once our industrial machinery is in place in Mexico, it will likely send a permanent stream of consumer products north, creating a long-term trade deficit for the United States. Nor is there any assurance that as Mexico industrializes it will keep purchasing capital and intermediate goods disproportionately from the United States. The lesson of East Asian development is that nations that establish strong export assembly sectors can use their assembly plants as customer bases for new capital and intermediate goods sectors.

Repudiating NAFTA would simply permit job losses to continue, along with declines in living standards in both countries. So would simple ratification of the treaty. The best opportunity to reverse the trend is to use NAFTA as a lever to negotiate other agreements to reform the Mexican economy so its wages can rise. Mexican incomes are presently too low, not only because debt service obligations compete with consumption but because Mexico's income distribution is so grossly inequitable.

Mexico Didn't Jump, It Was Pushed

Conventional wisdom has it that Mexico, like much of Latin America, adopted its current economic strategy—openness to foreign investment, wage repression, and export orientation—after its previous experiment with import substitution industrialization (ISI) failed. In response to this failure, Mexico is said to have determined to copy the path to success paved by the Asian "tigers"—Korea, Taiwan, Singapore, and Hong Kong—which experienced rapid growth by using export earnings for purchase of capital goods, debt service, and then for consumer imports to support a rising standard of living.

This conventional wisdom is wrong on two counts. First, Mexico's import substitution strategy did not fail; in many respects it was highly successful. And second, the development strategy followed by Mexico since 1982 bears not the slightest resemblance to that of the Asian tigers.

Free trade proponent Rudiger Dornbusch acknowledges that "in the two decades from the mid-1950s to the mid-1970s, Mexico was a model of financial stability and economic development." Real annual growth in minimum wages was 5.5 percent, and per capita income grew at an annual average rate of 3.6 percent. Indeed, even in the years leading up to the crisis, 1973-1981, when Mexico's borrowing was excessive, the country's per capita income grew at an average annual rate of 2.6 percent, despite rapid population growth.

Much of Mexico's current success as an American low-wage manufacturing center is rooted in now-abandoned import substitution policies. A 1962 policy, for example, prohibited sale in Mexico of autos that did not have Mexican-made engines and transmissions. In 1969, the policy was modified to permit Mexican firms to purchase foreign inputs, provided each firm maintained a positive trade balance—earning the foreign exchange with its own exports.

In August 1981, a year before the beginning of the end of ISI strategies, the Mexican government adopted a similar development plan for the computer industry. Investors in the new computer industry were to receive preferential interest rates and pricing of energy inputs, along with restrictions on competing imports. In return, firms wanting to enter the computer industry would be required to negotiate domestic content agreements with the government. This development strategy has, of course, now been abandoned in keeping with Mexican liberalization, but Mexico is now positioned to send low-wage auto and computer exports to the United States.

Contrary to conventional wisdom, the import substitution strategies Mexico followed prior to liberalization were rather like those of "successful" Asian tigers. South Korea, for example, eschewed market policies that American opinion now assumes Korea pioneered as a path to prosperity for Mexico.

For example, Mexico recently privatized state-owned banks. Yet when Korea's industrial push began in 1961, dictator Park Chung Hee nationalized banks. As Alice Amsden has shown, with control of credit, the government decided which industries to promote, which firms could enter a market, which products they could make, and in what quantity. Government-owned banks gave free credit to protected industries. Such subsidies override market "discipline" and are now anathema to officials in Washington and Mexico City.

Korea's industrialization limited "entrepreneurial risk" that President Salinas now cites as his economy's salvation. Imports competing with Korean goods were banned or subject to exorbitant tariffs. Korea required firms to meet export targets while potential domestic competitors were denied operating licenses.

Today Mexican planners nervously wait to see if free market reforms induce wealthy Mexicans to bring their riches home. If there is any economic explanation for Mexico's pursuit of NAFTA, it is the hope of giving Mexican capitalists confidence that economic ties to the U.S. are irrevocable and that therefore Mexico is a good place for Mexicans to invest. Despite 10 years of economic "reform," more than $50 billion is still held abroad by Mexicans seeking safer returns in places like Tokyo or New York. With some Western interest rates (in Germany, for example) remaining at 10 percent or higher, it is difficult to imagine why Mexican speculative capital would return home if free market reforms were the sole inducement. Korea, on the other hand, has had a different approach to "flight capital": unauthorized transfer of Korean wealth abroad was punishable by death.

A central tenet of Mexico's free market strategy is movement toward an exchange rate that reflects the peso's true purchasing power. Korea, in contrast, manipulated its currency in violation of free market norms, combining currency manipulation with capital controls, credit allocation, domestic content requirements, and selective tariffs—all to promote industrialization and export-led growth.

In 1968, Korea had a per capita income of $180, compared to Mexico's $580. By 1990, Mexico's per capita income was $2,490, while Korea's was $5,400. With market reforms, Mexico's economy is growing at a 2 to 4 percent annual rate. But Korea grew at a 9 percent rate in the 1970s; its new five-year plan is based on 7 percent real growth for 1992 to 1996.

Why Mexico Caved In

Why, then, did Mexico abandon its import substitution development model, which, though imperfect, shepherded the nation through three decades of rapid growth? The answer, of course, is that the nation's top economic strategists since 1982 have not been in Mexico City but in Washington. Mexico's strategy has been dictated by the U.S. Treasury, the IMF, and the World Bank, which have imposed on Mexico a version of trickle-down, supply-side Reaganomics more extreme than that implemented or even contemplated at home.

Consider: In our recent presidential campaign, a common observation was that no politician could expect election if, even in the face of unsustainable public debt, he or she prescribed the kind of "pain" that Paul Tsongas, Warren Rudman, or Ross Perot demanded—50 cents a gallon tax increases and reduction of social security and Medicare benefits. Yet what was demanded of Mexico? Real minimum wages in urban employment were cut by 47 percent from 1980 to 1989, and average manufacturing wages were slashed by 24 percent. Subsidies to food producers were cut; consumer price subsidies for tortillas, beans, cooking oil, bread, and eggs were reduced in the lowest income urban areas while elsewhere these subsidies were entirely eliminated. Where government-run businesses (*parastatals*) could not be sold to private investors, the government closed them with minimal adjustment assistance for employees. Government's withdrawal of services was so rapid that a fiscal deficit of 9.4 percent of GNP in 1982 became a surplus of 3.3 percent a year later.

By 1984, subsidies had declined by 43 percent from a year earlier. By 1985, the cost of a basic food basket had risen to 50 percent of the minimum wage, up from 30 percent in 1982. The proportion of households below the "poverty line" went from 37 percent in 1981 to 49 percent in 1989. The goal, however, was achieved: Lowered wages helped Mexico's manufactured exports jump from $1.8 billion in 1982 to $3.3 billion in 1983. By 1989, manufactured exports were worth $11.6 billion.

These policies could not have been implemented by a government that is "democratic" in any meaningful sense of the word. Notwithstanding a ritual of Mexican "elections," it is only because Mexico is an unabashed autocracy that its leaders could impose such pain without provoking widespread rebellion.

The lever Washington used to demand these sacrifices was debt. Mexico was forced to abandon its preferred import substitution strategy because its debt became unmanageable in 1982. There were three reasons for Mexico's virtual default, two of which were beyond its control.

One was the Iran-Iraq war, in which both of those nations (encouraged by the United States) attempted to finance their efforts by flooding world markets with oil, pumped at rates in excess of OPEC quotas. The result was plummeting world oil prices, going from $37 a barrel in 1981 to $8 by 1986. Mexico, not unreasonably at the time, anticipated that prices would stay high, enabling

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the nation to service its foreign debts as well as maintain an increasing level of domestic investment. With the collapse of world oil prices, Mexico had little alternative but to threaten its international creditors with default. A second factor was the ill-conceived monetary policy adopted by the Federal Reserve's Paul Volcker in 1979. Volcker's strategy was to break American domestic inflation with exorbitant interest rates. Many Mexican loans were pegged to prevailing rates.

The third cause of Mexico's economic crisis was that some of its foreign loans had been inefficiently invested. This factor is heavily emphasized in conventional accounts of the "failure" of import substitution investment, which assert that foreign loans were siphoned off by corrupt officials for either personal gain or private use. These accounts, however, are radically overstated. Foreign capital may not always have been *wisely* invested—for example, Mexico has not had to add new refinery capacity since 1982, suggesting that there was overinvestment in the petroleum industry before the crisis. But corruption was an insignificant factor. In the absence of exogenous shocks (plummeting oil prices and skyrocketing interest rates), even a nation with Mexico's corruption could have continued to service its debt and grow.

In 1982, Mexican finance minister Jesus Silva Herzog came to Washington threatening default and begging for relief. Instead, he was told to slash living standards and reduce wages—so that taxes could be used for bank payments, not tortilla subsidies, and so that Mexico could attract privately financed export industries to earn dollars for debt service. Mexico then signed an IMF "stabilization" plan, in which banks lent Mexico funds equal to about half the interest due back to the banks in the next two years, in return for Mexican commitments to reorient the nation to free market policies. Still unable to service its debt (though interest payments to foreign creditors rose from 66 percent of Mexico's budget in 1982 to 79 percent by 1988), Mexico sought further relief. In 1985, Treasury Secretary James Baker tried to persuade banks to lend Mexico (and other Third World debtors) more funds for debt repayment. Banks refused; the Baker plan flopped. In 1989, Baker's successor, Nicholas Brady, asked banks to soften repayment terms (for example, by lowering interest rates or forgiving 35 percent of the debt's value), but the Brady plan also won only slight relief. Meanwhile, the IMF and World Bank (both heavily influenced by the U.S.) continued to negotiate agreements with Mexico providing bridge loans and other temporary aid to tide the country over, on condition that Mexico continue to follow free market policies of depressed wages, reduced consumer subsidies, fewer social services, less government participation in the economy, slashed tariffs (Mexico's trade-weighted average tariff on U.S. imports is now only 11 percent) and elimination of other "non-tariff barriers" to foreign penetration of the Mexican economy. In 1986, Mexico joined the GATT, formalizing its renunciation of import substitution development.

Yet despite these "reforms," Mexico's foreign debt (now approximately $120 billion) is higher than it was ten years ago when the crisis began. As a share (in constant dollars) of GDP, the debt is only slightly lower than it was then. The Brady Plan, promoted as the solution to debt crisis, requires $58 billion of Mexican interest payments (and another $18 billion of amortization) during the plan's first five years—1989 to 1994. Despite historically low interest rates, Mexico devoted $9.5 billion in 1990 (28 percent of its export earnings) to foreign interest payments, with another $3 billion going for retirement of principal.

It was after the failure of the Herzog, Baker, and Brady negotiations that President Salinas announced a willingness to sign a "free trade" agreement to symbolize determination to attract U.S. investors to Mexico's low-wage work force. As we have seen, however, whether NAFTA is ratified or rejected will have little impact on the flow of investment from the United States to Mexico. This flow is expanding but will never be sufficient to correct Mexico's capital shortage. Because the structure of trade and investment depresses living standards of working people in both nations, it is very much in the U.S. interest to redefine our international economic policies as well as negotiate anew with Mexico. Whether these negotiations are characterized as separate from NAFTA, parallel to NAFTA, or a renegotiation of NAFTA itself is immaterial and can be left to the convenience of presidential public relations experts. Tactically, the best approach may be Bill Clinton's announcement that he would hold up NAFTA's enabling legislation until new agreements are negotiated. But the essential goal must be a joint development project that can succeed in raising, not depressing, Mexican incomes. Rising Mexican incomes are essential to creating a domestic market for Mexican industrialization, developing reciprocal markets for U.S. exports, and relieving downward pressure on American wages that stems from low-wage Mexican competition.

Mutual Reform

A 2,000-mile common border does not permit us indifference to Mexican development. Undocumented immigration, common pollution, and the danger of political instability so close to Texas, New Mexico, Arizona, and California require us to manage the relationship, not ignore it. Management has to focus on increasing Mexican growth and incomes. NAFTA won't do it. What will?

In thinking about new negotiations with Mexico, we should keep in mind that there is little meaning to distinctions we make between domestic and international economic policies. As the failure of computer modeling illustrates, it is nearly impossible to distinguish effects of mutually reinforcing policies. For example, we need not worry about industrial relocation to Mexico if our domestic policies aim for low unemployment, rising wages, adequate adjustment and relocation assistance, high investment in leading-edge industries, and regional development planning. Conversely, it helps little to have programs that encourage investments in, say, technology centers in Midwestern cities if the flight of manufacturing jobs to Mexico leaves in its wake unemployment in the rural southeast or in immigrant communities in New York, Miami, and Los Angeles.

Of course we need expanded job training and adjustment assistance for American workers displaced by relocation of manufacturing to Mexico. Yet while this must be part of a new North American strategy, more is needed, especially a re-evaluation of American economic strategy towards developing nations in general and Mexico in particular.

Debt relief and reform of IMF and World Bank development policies must be cornerstones of a new economic relationship. The present downward spiral in Mexico began with the debt crisis; it is foolish to try to end that spiral by addressing every problem except the one that sparked Mexico's decline. If Mexico could spend an additional $10 billion annually on American manufactures instead of debt service, American jobs would be created while Mexico gained both industrial machinery and consumer products—a "win-win" transaction. Every billion dollars earned by Mexico's exports, if then spent on purchases of American consumer and capital goods, would create about 30,000 U.S. jobs. If Mexico's earnings are transferred instead to international bankers, many of those jobs are lost.

There's no principle at risk in forgiving Mexican debt obligations. The Bush administration repaid Egypt for its support of Desert Storm by organizing Western European creditors to forgive $20 billion of Egyptian debt. To encourage Eastern European reformers, we arranged to wipe out $17 billion of Poland's foreign debt. At various times in the last two years, we have pressed allies to let Russia suspend payment on its $65 billion foreign debt—hoping it could use the cash instead to buy Kansas wheat. The U.S. blows hot and cold on the issue of Russian debt relief, but the issue is never whether debt relief is an improper reward for Soviet profligacy; rather, the issue is solely whether policymakers believe controls are in place to assure that relief will be properly expended (on import of American products and ideology).

Our domestic bankruptcy law permits troubled firms to use revenue for operating expenses rather than onerous debt repayment. Firms whose problems are far less serious than Mexico's use these procedures. Mexico slashed wage rates in half to maintain regular interest payments in the 1980s, but no U.S. bankruptcy judge would require so drastic a wage cut before permitting a firm to ignore creditors. Even complete debt forgiveness would be relatively inexpensive, costing the U.S. much less than the over $100 billion that Mexico now owes. U.S. banks now sell Mexican debt for about 45 cents on the dollar — guaranteed "Brady bonds" sell for 60 cents. Even if Western nations compensated banks fully (at market rates) for Mexican debt forgiveness, it would cost a total of only about $40 billion (comparable to Western expenses for Polish and Egyptian concessions).

While budget constraints limit our willingness to purchase Mexican debt, the burden could be offset by requiring Mexico (dollar for dollar) to buy American machinery and intermediate goods with funds otherwise designated for debt service. This requirement has historically been attached to foreign aid funds, beginning with the Marshall Plan for Western Europe; it is today precluded not by logic but by ideology. Such a proviso could provide stimulus to underutilized American capacity, resulting in increased income tax revenues and reduced transfer payments (welfare and unemployment), offsetting, to some degree, the budgetary cost.

With the election of Bill Clinton as president, John Major's Great Britain becomes the only remaining industrialized nation that pretends to subscribe to the fanciful economic nostrums we blithely impose on the developing world. And it will be recalled that in September 1992, when Britain was faced with the orthodoxy of repressing its economy to service its debts, it instead dropped out of the European exchange-rate mechanism, a luxury not permitted Mexico (whose debts are denominated in dollars).

Redefinition of IMF and World Bank policies are required so that these institutions, in negotiations with Mexico and other developing nations, cease demanding adoption of laissez-faire policies more extreme than any industrialized nation (including the U.S.) would dare contemplate. Once ideologically motivated officials came to dominate the IMF and World Bank during the Reagan-Bush years, these international institutions have demanded that developing nations adhere to an orthodoxy much more extreme than the institutions' official policies.

The IMF and World Bank need a new development model and practice, adapted from the successful experiences of nations like Korea, Japan, Germany, and the United States, not from textbook laissez-faire theories. Whether in negotiations with the United States or its surrogates, the IMF and World Bank, Mexico should be encouraged to return to some policies that worked in its import substitution period, while avoiding the period's excesses. The nation should be permitted and encouraged to specialize not just in those industries that pay wages too low to remain in the United States.

With an industrial strategy that complements our own, some Mexican industries could be protected or even subsidized. The Korean model is appropriate to avoid inefficiencies that resulted from excessive protectionism of the ISI model; a few designated industries could be expected to earn the protection of their domestic markets by becoming sufficiently competitive to compete internationally.

A CONTINENTAL DEVELOPMENT STRATEGY SHOULD INCLUDE DEVELOPMENT ASSISTANCE from the United States to Mexico. While this aid will be limited by American bud-

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getary pressures, a commitment to common North American development requires a reorientation of American foreign development assistance priorities.

Nowhere in the world has free trade been attempted between economies at such disparate levels of development. When West Germany incorporated East Germany in an economic union two years ago, the German government made direct transfers of wealth to each East German citizen, along with an artificially low exchange rate for East German marks—to avoid uncontrolled immigration of workers from East to West and uncontrolled migration of production from West to East.

The European Community, when incorporating Spain, Portugal, and Greece, recognized that if economic integration were not to pull its prosperous members down to the level of its poorer members, development aid had to be granted from EC coffers to less developed regions. The European Community treaty commits its member nations to "reducing disparities between the various regions and backwardness of the least favored regions." The European Investment Bank and Regional Development Fund support infrastructure projects in the poorer member nations, building roads, upgrading communications, underwriting industrial development. Consequently, wages in the poorer nations have climbed, and wage-driven relocation of manufacturing from northern to southern European nations has been minimal.

In contrast, total official development assistance to Mexico in 1990, from all industrial nations and international agencies, totaled only $140 million, less than one-tenth of one percent of Mexico's GNP—or an average of $1.60 per Mexican citizen.

Mexico reasonably claims that its abysmal environmental record results mainly from lack of resources. In 1980 and 1981, Mexico used 80 percent of its government budget for programs other than interest payments. From 1983 to 1988, the average was 50 percent. Mexico cannot be expected to increase its environmental enforcement budget and infrastructure investments at the same time that the U.S. Treasury, the IMF, and the World Bank are enforcing debt repayment schemes that require Mexico to deregulate its economy, reduce its public sector, and devote whatever resources are available to debt service.

How Mexico Can Help Itself

On the other hand, the burden does not belong entirely with the United States and its development agencies. Mexico should be expected to do more on its own behalf, and international assistance cannot be the only source of funds for development.

Tax Reform. Domestic investment funds can be raised in Mexico itself by tax reform—by an increase in taxation, by improving the efficiency of tax collection, and by correcting the excessive regressivity of the Mexican tax system.

Of the nations that the World Bank classifies as "upper middle income," Mexico's tax collections are among the lowest. It collects 14 percent of its GNP in taxes, compared, for example, with Portugal, which collects 35 percent; Venezuela, 17 percent; Uruguay, 27 percent. Mexico has no capital gains tax (except on real estate), not even on speculative profits made on the Mexico City stock exchange in the last three years. Less than 20 percent of Mexico's businesses are registered with the tax collection authorities. Prior to the privatizations of the last decade, most government revenue came not from taxes but from the earnings of parastatal enterprises. Now this source of revenue has disappeared as even profitable state-owned businesses like banks, airlines, and utilities have been sold. Pemex, the petroleum monopoly that remains state-owned, contributed fully one-third of the government's revenue in 1991, yet free-market theorists recommend that Pemex be privatized as well.

Mexican political economist Jorge Castaneda lists six elements of tax reform needed if welfare and public investment goals are to be established: corporate taxes must be increased; taxes on wealth levied; capital gains taxes on financial markets established; collection improved; income taxes enforced on independent professionals and the upper-middle class; and taxation of assets held abroad.

The latter, which would go far toward bringing flight capital home, requires negotiation of effective tax treaties with the United States and other finance-center nations like Britain, Japan, and Germany. Such cooperation is essential for continental development and costs the industrialized nations very little. While Mexican flight capital is of enormous consequence to Mexico, Western nations could easily forego the additional capital they obtain as tax havens for wealthy Latin Americans.

Health and Education Reinvestment. To become a profitable market for U.S. exports, as well as a successful exporter of higher value-added goods, Mexico must be permitted and encouraged by U.S. and international development agencies to reinvest in the education and health of its youth. Mexico's productivity is doomed to lag, offsetting much of the value of increased foreign investment, because the structural adjustment policies the U.S. imposed on the nation required a reduction in spending for education, health, and nutrition. Education spending declined by a third, from 3.8 percent of GDP in 1982 to 2.8 percent in 1983, and it has remained at this lower level. Health spending went from 3.7 to 3.0 percent in the same year, and has also stayed down since. Mexican children who were preschoolers when the economic crisis began in 1982 will be entering the work force within the next five years. They are less nourished and less educated than the previous generation of Mexican workers and so will be less productive. (They will also, incidentally, perform more poorly as immigrants in American schools.)

Minimum Wage Increase. American and international agency negotiators should include in their continental development strategy a gradual increase in the Mexican minimum wage, currently about $.60 an hour. Remember again that this minimum is half its 1982 level and was reduced by Mexican policy at the behest of international creditors, in a bold transfer of wealth from American exporters (and their work forces) to creditor nation bankers.

But policies to make Mexican exports cheap in America also make American exports too expensive in Mexico. American exports to Mexico declined dramatically during the "structural adjustment" of the 1980s. Mexico's annual imports of goods and services dropped from $21 billion to $8 billion from 1982 to 1983. These failed policies to cheapen Mexican export wages should be reversed. The ultimate goal should be a common U.S.-Mexican minimum wage, at the U.S. level. There are several benchmarks by which intermediate goals could be established. A comparison of the wage share of GDP in the U.S. (55 percent) and in Mexico (15 percent) suggests that Mexican wages could triple. If the standard is workers' earnings as a percentage of manufacturing value-added (20 percent in Mexico, 35 percent in the U.S.), an immediate wage increase of 75 percent would be in order. Labor productivity in export industries (roughly equal to U.S. rates) suggests that an even greater increase could be appropriate.

Regardless of what standard is adopted, the rate of increase in the Mexican wage should be rapid enough to provide Mexican workers with significantly increased purchasing power, appropriate to their productivity levels, yet slow enough to continue to entice new investment. Immediate increases could be considerable. Asian nations attract U.S. runaway shops with wage rates much higher than the Mexican standard.

There is precedent for careful incorporation of low-wage areas into the American market. In Puerto Rico, for example, industry wage boards established minimum wages for specific industries. Nonetheless, most minima were reasonably close to the mainland standard. In 1960, the mainland minimum wage was $1 an hour; of 98 different industry minima on the island, 73 were $.70 or higher and only 6 were less than $.50. Gradually, the differential was reduced, until in 1981 parity with the mainland was reached at the $3.35 level. The differential was maintained so that labor-intensive firms would have incentives to invest in Puerto Rico. But the differential was small enough that it did not create a hemorrhage of U.S. firms relocating solely to take advantage of low wages. The strategy worked. From 1960 to 1989, Puerto Rico's real per capita personal income has grown steadily, at an average annual rate of 3.7 percent. Since island industries have been required to pay the full mainland minimum wage in 1981, per capita growth has averaged 3.3 percent. During this same period of Mexican crisis and liberalization, Mexican per capita income growth has declined by an average rate of over one percent a year.

Environmental Standards and Privileged Market Access. A continental development strategy should also include harmonized environmental standards and enforcement procedures. While Mexico's environmental regulations are already close to those of the United States, enforcement has often been nonexistent. The Bush administration, in answering environmental critics, insisted that NAFTA would itself lead to a clean environment by generating wealth that could be dedicated to a national cleanup. But Bush also promised to develop a bi-national environmental plan parallel to but not part of NAFTA. It was an empty promise. The bi-national plan committed U.S. contributions of only $380 million and Mexican contributions of $340 million over the next three years. Responsible estimates of the costs of cleaning up pollution already created by reckless relocation of U.S. manufacturing along the Mexican border range from $18 billion to $50 billion.

The obvious flaw in an approach that aims at upward harmonization of Mexican and U.S. labor and environmental standards is that Mexico competes with other Asian and Latin American developing economies for U.S. investment, based on offers of the lowest labor and regulatory costs. If a Mexican development strategy expects wages and regulatory costs to increase, a likely result would be the flight of international capital to other Third World nations that are not under similar requirements to raise labor and regulatory costs.

The Bush administration's goal was to negotiate worldwide "free trade" with lower wage nations. After NAFTA was ratified, free trade agreements with Chile and Eastern Europe would follow. All the while, the administration pursued an "Enterprise for the Americas" with Latin America that, building on NAFTA and the Caribbean Basin Initiative, offered unrestricted access to U.S. markets in return for Latin nations' agreements to privatize economies, reduce the size of government, and adopt low-wage export platform strategies.

As we have seen in the apparel industry, however, if all developing nations are given privileged access to the U.S. market, none can have it. Clearly, the U.S. cannot be the market of (first and) last resort for every developing economy. A continental development strategy with Mexico can work only if the goal of worldwide free trade is abandoned, and Mexico, perhaps along with the Caribbean Basin nations, is given privileged access to the U.S. market. There are, as suggested earlier, good security reasons for singling out Mexico and the Caribbean in this fashion. Not only need we be more concerned with political instability here than we are with instability elsewhere, but there is ultimately no way of slowing the rate of undocumented migration from Mexico and the Caribbean save with a meaningful development strategy for the sending areas. This was also, of course, one of the rationales for NAFTA, but free trade, with its prospects for furthering the depression of Mexico's urban living standards and disrupting traditional peasant economies in rural areas, will be more likely to stimulate immigration from Mexico than to staunch it.

Neither wage nor environ-

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mental harmonization can work unless the North American market is protected from undermining by other nations. Raising Mexico's minimum wage to U.S. levels will do little good if transnational investors can then relocate Mexican plants to the Philippines or Sri Lanka. To prevent such runaways, we need new tariff walls to protect the developing prosperity of North America.

Our free trade area should accept only those third country imports manufactured with wage and environmental standards comparable to those required here. Practically speaking, the protection of harmonization could be accomplished by levy of a "social tariff," taxing third nation imports an amount equal to the difference between the wage paid and that which would be required if an acceptable minimum was enforced, calculated on a similar basis to the new minimum in Mexico. A similar tariff could be levied to represent the costs of environmental responsibility.

Critics may reject U.S. requirements for increased investment in health, education, labor, wage, and environmental standards as an affront to Mexico's sovereignty. But Mexico's present policies of disinvestment in these areas are all consequences of earlier demands by the U.S. and its development agencies. Objection to new policies out of "respect for neutrality" in Mexican domestic policy is a smokescreen. The present NAFTA draft contains numerous Mexican accommodations to demands for changes in domestic policy—Mexico's legal (commercial dispute resolution) system, its intellectual property laws, and its investment rules. Reforms of Mexico's domestic fiscal, welfare, and labor market policies are now more sorely needed.

An Alliance for Progress

If the United States negotiates anew with Mexico, we could well succeed in raising Mexico's living standards and ability to purchase U.S. exports. President Salinas, we can assume, is not opposed to higher wages in principle; incomes have been slashed because of bankers' demands, not because a low-wage development strategy was freely chosen. If a new American administration can abolish supply-side economics at home, it could well find a friend in Mexico's leader, now freed from external demands that reactionary remedies be imposed as the policy of his nation as well.

While NAFTA opponents miss the mark with exaggerated predictions that the treaty will accelerate U.S. investment in Mexico (which already proceeds at breakneck speed), they correctly assert that by codifying laissez faire in a treaty, NAFTA would make impossible many of the reforms suggested here. A continental development strategy would require Mexico to adopt policies—targeted investment, export performance, technology transfer and profit reinvestment requirements, domestic content rules, use of government procurement to promote infant industry, community reinvestment rules for financial services, and so on—that NAFTA gives American investors the right to veto.

While NAFTA precludes these policies in principle, in practice NAFTA is no bar to reform. In today's international economy, with Mexico and other developing nations dependent on external finance, it is inconceivable that they could embark on a modified import substitution development strategy without support of an international consensus to abandon laissez-faire economics. But if the U.S., Mexico, the World Bank, and the IMF agreed that Mexico should attempt to slow the migration of peasants from rural areas by requiring investors to purchase parts from microenterprises in agricultural villages, amendment of NAFTA to permit this policy would find few opponents.

As for NAFTA, President Clinton's approach is the wise one: avoid provoking a political crisis with Mexico by repudiating NAFTA outright, but commit to new negotiations to supplement NAFTA with agreements to correct its more egregious omissions—the lack of any mechanisms for enforcing labor and environmental standards in Mexico. Down the road, as NAFTA presents obstacles to mutual development strategies, further amendment will be in order and can certainly follow.

Of course it would have been better if there had been no NAFTA in the first place, but the treaty's existence has one enduring advantage: it irrevocably ties the economic development of Mexico and the United States, making it impossible for growth and equity to expand in one nation without forcing policymakers to confront the need for them in the other. President Clinton and his advisors will find that the high-wage, high-skills path to which they are pledged cannot be taken if international capital remains totally free to flee to low-wage deregulated environments where it can pursue worldwide strategies of competitive impoverishment. Similarly, President Salinas and his successors will learn that gain from assembled exports to t north cannot be unlimited if Mexi can living standards remain too low to balance those exports with purchases of U.S. imports, the production of which will sustain American income growth and our ability to help pull Mexico up. Together, leaders of the two nations will find that continental development, not free trade, is the goal to which both need be dedicated.

Richard Rothstein is a research associate for the Economic Policy Institute and a columnist for the L. A. Weekly. •

Free Trade Pact is Shaky

Tough U.S. Demands Dim Trade Prospects Across Borders

By CHRISTOPHER WHALEN
Christian Science Monitor
April 6, 1993

As American and Mexican negotiators begin formulating "side agreements" to the North American Free Trade Agreement (NAFTA), the weight of political opinion in Washington is quite pessimistic about the agreement's chances for congressional approval.

That sentiment on NAFTA in the House of Representatives is currently at least 2 to 1 against shows that the Clinton administration's renewed support for free trade is only the initial down payment on a very expensive political tab. Will President Clinton pay the price?

Roughly three-fourths of newly elected members of the House and Senate explicitly opposed NAFTA in their campaigns. In a series of surprisingly candid interviews, United States Trade Representative Mickey Kantor concedes that NAFTA is in trouble politically. But he also asserts that he can satisfy the objections of members of Congress.

Mr. Kantor's optimism and seeming willingness to commit publicly to deliver on innumerable promises may be part of the larger problem facing NAFTA.

When former Trade Representative Carla Hills began the long and difficult NAFTA process, one of the first rules she established was that the negotiations would occur in private. She correctly acknowledged that the talks could not succeed if the particulars of the US agenda were discussed with members of Congress and the press before they were presented to the Mexican and Canadian representatives at the bargaining table.

Kantor, on the other hand, seems happy to discuss details of the three-sided agreements in appearances before Congress and with the press, apparently as part of a larger strategy to manage the process through the media. In general, he has conducted one of the most frank and open discussions of US-Mexico relations given by an American official in many years. But his candor troubles always-reticent Mexican government officials and NAFTA supporters, who rightly wonder what Kantor really has in mind if he is so willing to discuss the US shopping list for the side agreements.

Ms. Hills was charged with negotiating an agreement, which would then be sold to Congress by President Bush.

Kantor's assignment is much broader and arguably far more difficult, if not impossible. In practical terms, he must hold difficult talks with Mexico and Canada while conducting detailed negotiations with members of Congress, environmental groups, labor organizations, and hundreds of state and llocal entities.

The scale of the task facing former lawyer/lobbyist Kantor is illustrated by his calls for basic changes in Mexican law and legal procedures. A number of members of Congress have demanded major alterations in Mexican legal practices in order to ensure that both NAFTA and side agreement provisions are enforceable.

Significantly, Kantor has already backed away from an earlier pledge to give the trilateral commissions envisioned in the trade agreement supra-national authority to resolve disputes and enforce rules. He apparently understands that the issue of how Mexico's legal system works (or fails to work) inevitably leads to political questions that cannot be answered within the narrow confines of NAFTA.

But without the fundamental changes that House Leader Richard Gephardt (D) of Missouri, other members of Congress, and even Kantor himself have called for, there can be no effective enforcement of any NAFTA provisions that require specific action on the Mexican side of the boarder. If these concerns are not dealt with, astute observers believe, NAFTA is dead.

The reasons behind such pessimism are more complex than the question of simply enforcing labor and environmental rules. One of the more revealing developments in the NAFTA process has been the emergence of the term "upward harmonization", which essentially means that Mexico must change its laws and regulations in order to raise its internal regulatory environment to the same level as that prevailing in Canada and the US.

The term "upward harmonization" is pejorative and suggests, some say correctly, that Mexican regulatory standards are inadequate,. a fact which is causing much friction inside the Mexican government. Most observers, even Mexicans, would agree that our southern neighbor needs to make significant changes in its legal system, yet the tone of the American demands is condescending and even inflammatory. The drive for "upward harmonization" originates with the environmental movement, which is unlikely to be mollified by pretended "solutions" to Mexico's basically dysfunctional legal system.

The fact is that Kantor has promised to include in the side agreements basic legal and political changes inside Mexico that he simply cannot deliver. "We are going to insist that we have some changes in the Mexican judicial system to make sure people have access to that system, that due process is followed, and that administrative decisions can be appealed in court," Kantor has said. No American can fulfill this promise, say sources in Mexico.

One Mexican politician with close ties to the government of President Carlos Salinas de Gortari says Kantor "is promising what he cannot deliver, what no one can deliver. How can Kantor publicly tell members of Congress that he will produce changes in Mexican law when we cannot possibly begin such a process now? The (Mexican) president's term is effectively over now, and we have elections next year. Thus, I cannot imagine when Salinas could make the legal changes that Kantor requires, even if he were inclined to do so."

Kantor will not be able to obtain and/or demonstrate the changes necessary to satisfy Con-

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Brokers Flocking to Mexico

U.S. demand for offices, plants and housing will bring windfall in real estate markets.

By **CHARLES W. THURSTON**

Journal of Commerce

U.S. real estate brokerages are scrambling for positions in the Mexican marketplace, anticipating U.S. companies' needs for plant sites and employee housing under the North American Free Trade Agreement.

New York City's Cushman & Wakefield, Inc., for example, opened a Mexico City office in January, through a joint venture with Grupo Comercial Imobiliario, primarily to find office space for the mass of U.S. companies trying to break into or expand the Mexican market.

"We have an old corporate client base in the United States that was demanding service," said Mark Robertson, who moved from Dallas to open Cushman & Wakefield/*GCI*.

"Demand growth in the office sector is enormous and in the industrial sector it's 10 times that," Robertson said. "The market is where the U.S. real estate market was in the '50s, during the post-war boom."

He is not alone in his enthusiastic predictions of market growth in Mexico.

"The North American Free Trade Agreement will have enormous impact on our plans for growth," said Dave Liniger, chairman of Englewood, Colo.-based Re/Max International Inc., who signed a master franchise agreement in late December with Grupo Plaza SA, a Guadalajara real estate broker.

Re/Max, which has already signed up its first 20 franchises in Guadalajara, Monterrey and Mexico City, expects to have 100 franchise locations open by year's end, Liniger said. Should it succeed, Re/Max would rival Irvine, Calif.-based Century 21 Real Estate Corp., which has opened about 70 franchise offices in Mexico over the last three years of operation there.

Whether companies are seeking plant sites, office space, or housing for transferred executives, the demand is very strong, especially for so-called Class A property, said brokers who lamented the sparsity of market data on Mexican real estate.

Based on a year and a half of transactions, we estimate that there are 70 million square feet of acceptable office space in Mexico City of which, with generosity, we identify 20 million as Class A, but not by international standards," said Cushman & Wakefield's Robertson.

With little history of real estate finance in Mexico, most of the Mexico City market is based on condominium sales, wherein companies buy "double net; no improvements, no services," he said. Even so, "Mexico City is easily more expensive than New York," he suggested.

Office space in Mexico city runs roughly $55 a square foot, compared with about $30 a square foot in New York or little more than $20 a square foot in Dallas, Robertson said.

Of the 2,800 U.S. companies now active in Mexico, more than 1,800 have offices in Mexico City. The current construction of 8 million more square feet of prime space there will help meet demand, but in the meantime, there is plenty of customer competition.

"We have a crushing demand for Class A office space," said Robertson. Outside of Mexico City, the demand also is strong for prime office and industrial space.

There are about 2,000 maquiladora, or export-oriented assembly plants in Mexico, mostly along the U.S. border. While NAFTA could mean that future plant locations will spread further south into the country, companies seeking to keep new sites close to a U.S. border state home office may find space harder to find and more expensive.

One California manufacturing executive had so much trouble finding a small Tijuana area plant site with water, power and sewage lines that he wound up buying and developing a large unimproved lot, and moved into real estate brokerage himself.

I was lied to," he said of brokers who promised services that didn't materialize.

Another U.S. businessman said, "You can have a building with poor services next to a fabulous building, and on the other side of that you have a block or two of what needs to be bulldozed down."

Re/Max chose Guadalajara, a major electronics and telecommunications manufacturing center in Mexico, both for the presence of industry and for the opportunity to tap into a large expatriate community.

"There are 12,000 Canadian retirees just in Guadalajara," Liniger said.

That population, augmented by other expatriate company executives who seek housing with U.S.-comfort levels, nearly matches the number of property brokers in Mexico as a whole.

Although there are no licenses and little regulation to track players in the market, "there are 18,000 people in Mexico who claim to be in the real estate business, Liniger said. "That compares with 750,000 licensed realtors in the United States and 80,000 in Canada. •

NAFTA Could Increase Immigration

Free Trade was supposed to encourage Mexicans to stay at home, but one report says the contrary

By **SAMUEL FRANCIS**

Washington Times

We haven't heard much in recent months about the North American Free Trade Agreement, the humongous treaty negotiated by the Bush administration for the ostensible purpose of leading Mexico and the United States into a free-trade land of glory.

Probably we haven't heard much about it because President Bush's successor in the Oval Office has other matters to worry about. But whether President Clinton worries about NAFTA or not, it's time other Americans started taking a close look at what the treaty will do to them. Once they look, they're the ones who will need to worry.

One of the chief benefits NAFTA is supposed to bring us is relief from massive illegal immigration from Latin America. The idea is that, by reducing trade barriers, the treaty will foster economic growth in Mexico, which in turn will make Mexicans want to stay where they are.

Also, the more jobs south of the border, the argument goes, the better it will be for Americans. Once Mexicans have decent jobs, they can buy more U.S. goods, which will spur growth north of the border too. So everybody's gonna be happy.

Loaded with Assumptions

But the whole plan is loaded with assumptions—about how Mexico will be governed, how Mexicans will respond to new trade arrangements, how U.S. companies will react to the new investment climate and what Mexicans who would otherwise want to hoof it across the border will do if the treaty's other assumptions prove correct—or even if some (or all) of its assumptions disappear in the desert south of Sonora.

Many experts make a strong case that NAFTA will actually increase immigration across the Rio Grande. They argue the treaty may well help develop Northern Mexico and draw Mexicans from the country's interior. Once in the north, however, the internal migrants will be tempted to keep going and cross the river. If a desire to better themselves draws them north, why should they stop moving just because of the little line that divides one nation from another—especially if they can better themselves even more by sneaking over the line? Now that argument has been reinforced by none other than a report issued by the Trilateral Commission.

You don't hear much about the Trilateral Commission either these days. Back when Jimmy Carter still had something to grin about, the Trilaterals were in clover. Founded in 1973 by banker David Rockefeller, by 1976, when Carter moved into the White House, the commission held down no fewer than 25 top-level posts in his administration. Nowadays, the Trilaterals have to scrape by with only a handful of ex-members in high offices—like Clinton himself and four Cabinet secretaries. How are the mighty fallen.

But be that as it may, last week the commission held one of its periodic conclaves in Washington and released a study called "International Migrations: A Challenge for a New Era." Now that's the sort of sensationalist title that gives the Trilaterals such a bad name, but in this particular report, they actually had something sensational to say.

Acknowledging that massive immigration is a problem, the report ponders the effects of NAFTA on it. Even if NAFTA succeeds in reducing migration pressures, the report concludes, "These effects will be some time in coming. In the short to medium term, development is likely to exacerbate migration pressures."

Egypt After the Seven Plagues

And what does "short to medium term" mean exactly? Oh, only about "10 to 20 years," and "one estimate is that migration will increase by 100,000 annually. Thus, the United States must be prepared not only for the short-term dislocations and public anxi-

(See **Immigration**, page 26)

Prospects, from page 24

gressional critics, and the agreement will either be shunted aside or voted down in the House, Senate or both.

Aides in the Clinton White House confess their worry that the president may not be willing or able to see NAFTA through Congress.

By September, when supporters of NAFTA hope to see the agreement moving toward a positive vote in Congress, Mr. Clinton may be on the defensive politically and embroiled in a many-sided legislative fight. In these circumstances, the White House might prefer to see the trade agreement go down to defeat rather than spend dwindling political capital and presidential popularity to attempt to rescue it.

Kantor and other members of the Clinton administration have said repeatedly that they will walk away from NAFTA unless the necessary changes are made. Putting aside their reassuring rhetoric about supporting free trade with Mexico, perhaps letting NAFTA gradually fail was always Clinton's intention. •

‘Successful Conclusion’ of ‘Parallel Agreements’

United Press International
March 23, 1993

MEXICO CITY—House Democratic leader Richard Gephardt met Tuesday with President Carlos Salinas de Gortari, assuring the Mexican leader he would push for ratification of the North American Free Trade Agreement, the Mexican government said.

Gephardt told Salinas, “I support (NAFTA) and will work in the next months so the American Congress approves it this year,” a statement from the Mexican president’s office said.

The Missouri Democrat, a frequent critic of NAFTA, told reporters after the private meeting in Salinas’ residence that the accord “would be a tremendous motor for growth” in the United States, Canada and Mexico.

He said he and Salinas, a strong NAFTA supporter, talked “openly and honestly about how to successfully conclude” the parallel agreements to the free trade agreement.

Also on Tuesday, President Clinton expressed support for NAFTA but said the trilateral accord needs “basic” environmental and labor protections. NAFTA, which has yet to be approved by the Mexican, U.S. and Canadian legislatures, would open the economic borders between the three countries, creating the world’s largest trading bloc.

The first round of talks on the parallel agreements was held last week and the second round is set to begin April 2. The talks, involving U.S., Canadian and Mexican officials, have focused on environmental and labor aspects of NAFTA along with possible protections against import surges.

U.S. critics of NAFTA have said if the accord is approved, U.S. businesses may take their operations - and American jobs - to Mexico to take advantage of lower wages and less stringent environmental laws.

Gephardt, who also met with Mexican Finance Minister Jaime Serra Puche and other officials, only offered a brief statement to the press Tuesday and took no questions. The Mexican government said Gephardt initiated the meetings with the Mexican officials. •

Article 103: Relation to Other Agreements

1. The Parties affirm their existing rights and obligations with respect to each other under the *General Agreement on Tariffs and Trade* and other agreements to which such Parties are party.

2. In the event of any inconsistency between the provisions of this Agreement and such other agreements, the provisions of this Agreement shall prevail to the extent of the inconsistency, except as otherwise provided in this Agreement.

“Parallel Agreements?” See Article 103 (above) of the North American Free Trade Agreement Text.

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Immigration, from pg. 25

ety that accompany jobs being lost to low-wage workers in Mexico, but also for increased illegal flows of Mexican migrants seeking jobs in the United States.”

In other words, so far from reducing immigration and creating jobs for Americans and Mexicans alike, NAFTA will cause American jobs to be lost to low-wage Mexicans and, for a kicker, draw to this country even more illegal immigrants, who will take even more jobs from Americans. But not to worry. NAFTA’s dislocations will be only “short term” for the next 10 to 20 years, which just happens to account for a sizeable chunk of the careers of most working Americans.

The ranks of the Trilateral Commission are not exactly filled with right-wing doomsayers, xenophobes and trade hawks, nor do its reports usually prophesy woe. That’s precisely what makes its vision of the near future under NAFTA so scary.

That future begins to look less like the land of glory than Egypt after the seven plagues. If Americans would like to spare themselves and their country the dismal future the Trilaterals predict, maybe they ought to start worrying about NAFTA right now, before Clinton and Congress begin pushing it through. •

Who Planned this Disaster?

By CHUCK HARDER
Special to For the People
At Presstime

WHITE SPRINGS, Fla.— After reading a lot of stories about worldwide economic problems and "dislocated workers" caused by "free trade" nonsense, it is clear to me that ordinary, everyday people are truly suffering economically and hate what's going on. Why then is the push for NAFTA (North American Free Trade Agreement), which is really a "race to the bottom," continuing? What's the hurry? Why is a so-called free trade agreement so important to Washington politicians? Aren't governments supposed to represent *all* their citizens and act for the "common good?"

A Worldwide Economic Elite

The truth is, a worldwide economic elite is behind what's going on (see the Trilateral story in this issue). The members of that elite care only about profits and themselves. Ordinary workers are now considered "disposable."

The Trilateral Commission, the Council on Foreign Relations, and the Bilderberg group are three examples of "insider" groups that are little more than "chambers of commerce" designed to protect the interests of the world banking community and the industrial elite they are closely allied with.

The above named organizations are little more than front organizations. Like local chambers of commerce, they set policy for the benefit of their members and backers. These organizations, and the propaganda they pump out, are financed by the super-rich. The "greedsters" behind the scenes are drooling over the "investment" possibilities created by NAFTA (and other already existing policies). Among the government agencies fronting for the greedsters are the Agency for International Development (AID), and the Overseas Private Investment Corporation (OPIC). AID was formed under Nixon. OPIC came into existence during the Reagan-Bush period, starting in 1982.

Other "World Order" craziness blossomed under Jimmy Carter who was picked by David Rockefeller to be the first head of the Trilateral Commission. It's all fronted by the big money-center banks, which are stuck with lousy third-world uncollectible loans. These banks are now frothing-at-the-mouth in anticipation of upcoming profits. Deals that are currently illegal in the USA, (but legal offshore) will soon bring even bigger bucks for them under NAFTA.

Bankers and a Piece of the Action

The bankers know that laws in the US prevent them from "getting a piece of the action" when they loan money to start up a business in the USA. In short, all they can do in this country is hope that they get their money back with interest. By taking that company offshore, however, they can often get USA government guarantees on loans.

What it means is that bankers can't lose. Even better, they can insist on the bonus of an "equity position," which means they also get stock in the company just for putting the package together. It's a can't-lose, WIN-WIN game, using USA taxpayers money and government guarantees. Its main effect? It moves investment dollars offshore and puts American workers out of work.

Economic Treason

Its time to start calling this practice what it really is: Economic Treason! Even President Bill Clinton is on record admitting that when plants move offshore with the help of taxpayers dollars, the workers in the third-world "Host Country" get jobs but then, later, actually take a pay cut! But wait, there's more.

The nonsense of "free trade" puts American workers with 30-year home mortgages, car payments and kids in college, in direct competition with Chinese slave labor a continent away. Here's a good example: If a worker in Red China cuts a cord of firewood in one hour, the labor cost might be 20 cents. That same cord of wood cut by an American in the northeastern USA may have a labor cost of $14.00. In both cases the trees were supplied by mother nature.

The Chinese cord of firewood can be exported on a Chinese ocean cargo ship and delivered in the USA for much less than the labor it costs to cut the wood in this country. US prices for cut firewood may drop a little from Chinese competition, while the middlemen turn the difference into profit.

What is happening in the process is that brokers are siphoning off the standard-of-living equity that has been built up by the American middle class. By putting the Chinese worker and the American worker head to head, they pocket the difference between slave labor and a living wage in the USA!

Neither worker will benefit. Not a chance. Slowly, the cost of firewood drops here at home, our American woodcutter works harder and longer to try to make ends meet and he can no longer pay his bills.

Eventually, the American firewood market will bottom out with a labor cost of around $4.50. Even so, the Chinese worker never does get a raise, and the American worker eventually loses his home.

Be it slave labor in Red China, "docile" peasants making 21 cents an hour in Indonesia, or wage slaves in Mexico making 48 cents an hour, it's still head-to-head combat of the most destructive kind. It's a race to the bottom pitting the standard of living of one society against the other, while the bankers and middlemen get rich by siphoning off the difference in cash. It's a "World Class Con Job" from which only the elite gain.

What NAFTA Really Means

The greedy and global super-rich, with their ever-growing bank accounts, decide which political candidate to back with big bucks. Their front organizations draft the desired laws and regulations designed to generate profit. The "bought" politicians, once in office, then deliver. Factories close in the USA and move offshore. The rich pocket the profits. What NAFTA *really* means is **"No American Factories Taking Applications!"**

Even worse for the middle class: As interest rates plunge, wages, real estate and other things of value in the USA go down in price due to a depressed economy. Those retired members of the middle class who once lived off the interest on their savings are further depressed as rates go down, forcing them to sell their home, jewelry or things of value for below market price simply to survive.

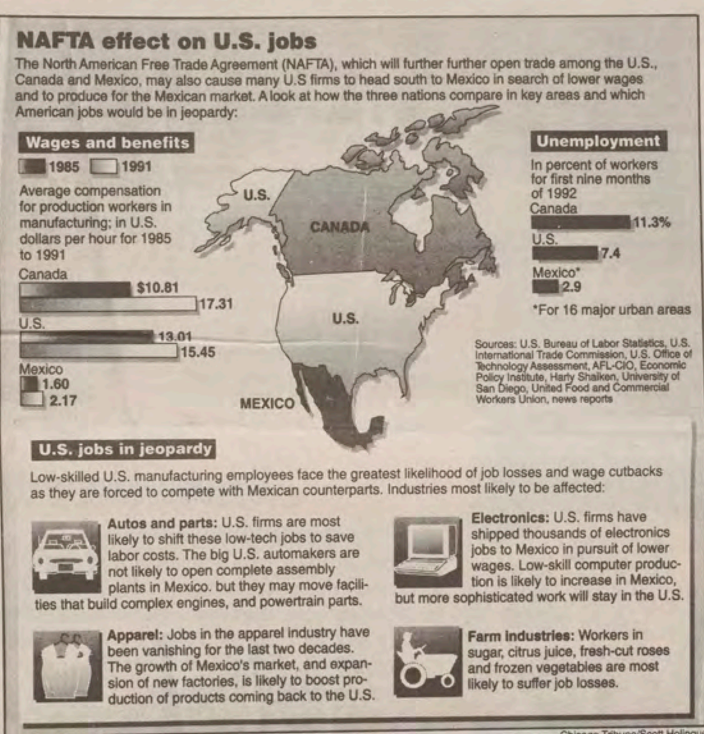
If all this sounds kooky to you, just read *Latin America at the Crossroads*, published some time back by the Trilateral Commission. If you do, you will see the blueprint for NAFTA. Also, read back issues of *Foreign Affairs* magazine, published by the Council on Foreign Relations. If you do, you will discover the unseen hand that guides American policy, domestic and well as foreign.

Welcome to the New World Order

"Free Trade" was not the dream of a taxi driver in Brooklyn, New York, or a housewife in Peoria, Illinois—not even maybe! You can bet that not a single everyday person woke up one morning and said, "Hey, we need a NAFTA!" Nope, it all came from a greedy elite and their front organizations, which thrive on the operation of miserable sweatshops all over the world. It's a fact, unfortunately, that across the entire Third World economic slaves toil for a meal of rice and beans and live in cardboard shacks while the global rich celebrate.

Reports published in *Harper's* and other magazines tell how Third-World factory employees must now wear various color-coded T-shirts to identify what zone of the building they belon in. This color-coding makes obvious to foreign-born managers when the wage slaves are ou of their "work area" and perhaps improperly talking to other employees. No talk about organizing for better pay or conditions is allowed. Computerized blacklists keep tabs on such troublemakers. Owners want to be assured that they are not again allowed behind the chain-link and barbed razor-wire fences protecting the gleaming industrial plants that pay pennies an hour to frightened peons.

Welcome to ***The New World Order!*** Welcome to the world's greatest con-job designed to eliminate the American middle class, and, eventually, to enslave us all. So far, the plan is right on schedule.



NAFTA effect on U.S. jobs

The North American Free Trade Agreement (NAFTA), which will further further open trade among the U.S., Canada and Mexico, may also cause many U.S firms to head south to Mexico in search of lower wages and to produce for the Mexican market. A look at how the three nations compare in key areas and which American jobs would be in jeopardy:

Wages and benefits: Average compensation for production workers in manufacturing; in U.S. dollars per hour for 1985 to 1991

Unemployment: In percent of workers for first nine months of 1992

*For 16 major urban areas

Sources: U.S. Bureau of Labor Statistics, U.S. International Trade Commission, U.S. Office of Technology Assessment, AFL-CIO, Economic Policy Institute, Harly Shaiken, University of San Diego, United Food and Commercial Workers Union, news reports

U.S. jobs in jeopardy

Low-skilled U.S. manufacturing employees face the greatest likelihood of job losses and wage cutbacks as they are forced to compete with Mexican counterparts. Industries most likely to be affected:

Autos and parts: U.S. firms are most likely to shift these low-tech jobs to save labor costs. The big U.S. automakers are not likely to open complete assembly plants in Mexico. but they may move facilities that build complex engines, and powertrain parts.

Electronics: U.S. firms have shipped thousands of electronics jobs to Mexico in pursuit of lower wages. Low-skill computer production is likely to increase in Mexico, but more sophisticated work will stay in the U.S.

Apparel: Jobs in the apparel industry have been vanishing for the last two decades. The growth of Mexico's market, and expansion of new factories, is likely to boost production of products coming back to the U.S.

Farm Industries: Workers in sugar, citrus juice, fresh-cut roses and frozen vegetables are most likely to suffer job losses.

Chicago Tribune/Scott Holingue

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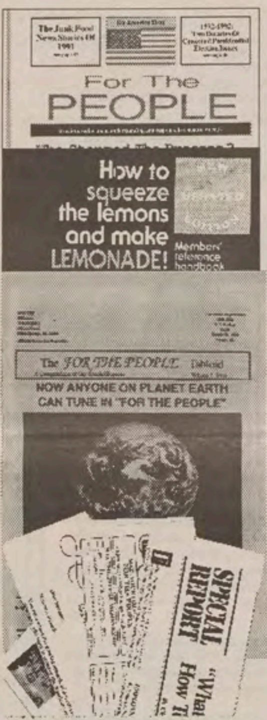

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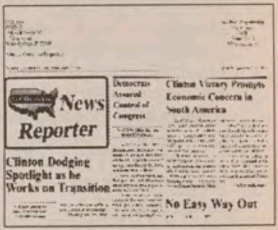

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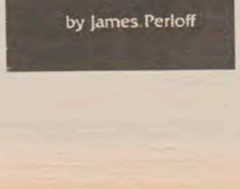

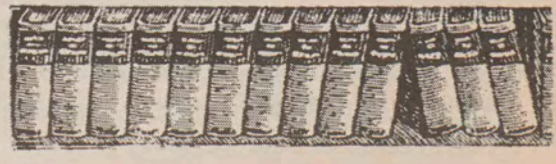

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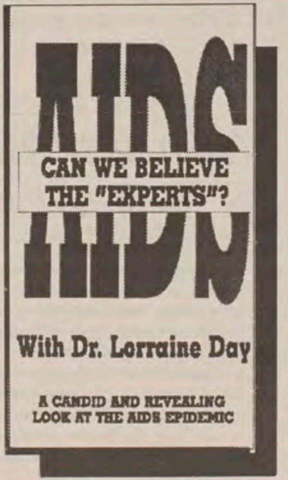

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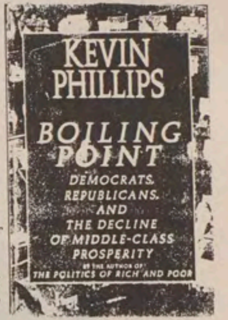

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Kevin Phillips has been editor-publisher since 1971 of *The American Political Report.* Phillips is a contributing columnist to the *Los Angeles Times*, a member of the political strategists' panel of the *Wall Street Journal*, and a regular commentator on National Public Radio. He is also a periodic contributor to the *New York Times* and the *Washington Post.*

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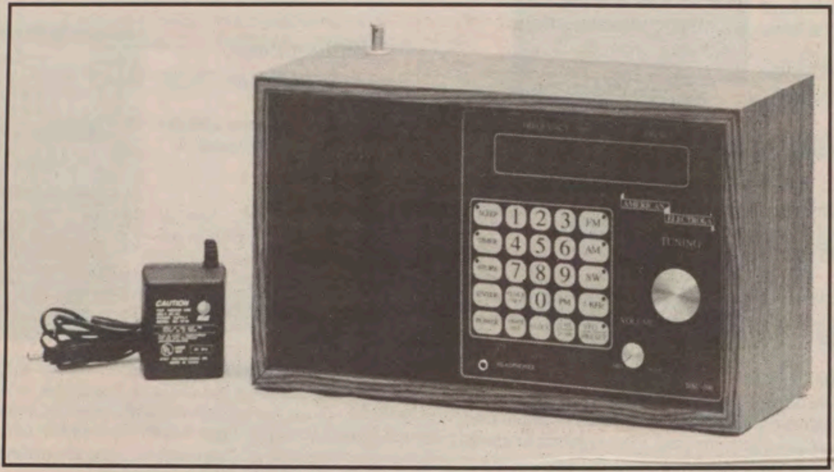
AM – FM – Shortwave Radio
Made in America



This may be your final opportunity to get your order in with the coming production run. Please order now!

$259.95

Comparable units cost hundreds of dollars but For the People brings you the American Electrola DX-100 for just $259.95 plus $12 Shipping & Handling. Over 1,000 radios have already been sold. Your order allows us to continue to manufacture more — keeping more jobs here, at home. The DX-100 is a high quality AM/FM/Shortwave radio:

Hundreds of Shortwave Stations Worldwide!

7.140, 11.730, 15.235, 17.785- BBC (England)
4.765, 9.820, 15.740, 21.490- Moscow
11.710, 15.345- Argentina
5.910- Belgium
9.625- Canada
9.745, 11.715, 15.110, 17.715- Radio Beijing
15.440- Taiwan
6.086, 9.690, 15.245- Germany

Get Both Sides of the Story. All the News. Radio Programming from All Around the World! Many shortwave stations are owned and operated by the government in the country they broadcast from. Many broadcast full-time or part-time in English. Hear all these, hundreds more, plus your favorite AM & FM radio stations .. all with the American Electrola DX-100!

Features:

60 Memory Presets
Direct Keypad Frequency Entry
Plus tuning dial and L.E.D.
Display of station or time.
Sleep Timer
Alarm
12/24 Hour Clock

(800) 888-9999

to order!

When you order, your credit card will be billed or your check will be deposited upon receipt. This is what allows us to provide our manufacturer with a supply of parts for the units. While you're waiting for the arrival of your new unit, you will receive a video tape about the radio, plus a copy of all three hours of a recent For the People broadcast, featuring the designers of the radio as guests.

Technical Specifications:

Frequency Coverage:
AM 520 KHz - 1710 KHz
FM 88.1 MHz - 107.9 MHz ('Odd' or 'All' Spacing)
Single Conversion [10.7 MHz]
SW 150 KHz - 30 MHz (Continuous, 10 or 1 KHz Steps)
Dual Conversion [45 MHz/455 KHz]

Sensitivity:
AM & FM -2 µV into 50 ohms for 20 dB SINAD

Selectivity:
AM/SW - 7KHz Bandwidth
FM - 20 KHz Bandwidth

Audio:
Speaker Amp 750 mW < 2% THD
Line Out .5 V
1/8" Headphone jack 50 mW (disconnects speaker)
Internal Speaker - 4" Full-range

General:
1/2" high red L.E.D. display
10 numerical direct-entry keys,
7 non- and 8 lit function keys
9 VDC power supply (included)

Antenna Connections:
Rear-mounted, 4-position screw terminal block for
External AM, FM, and SW antennas (not included)
Built-in Telescopic antenna included

For the People...

BOOKSTORE ORDER FORM

MAIL YOUR ORDER TO:
FOR THE PEOPLE
3 River Street • White Springs, Florida 32096

FOR THE PEOPLE MEMBERSHIP

☐ NEW ☐ RENEWAL (No Tax or Shipping & Handling; Outside USA add $4.75 in U.S. Funds)
ITEM #1001
QTY. ____________ x UNIT PRICE $15.00 = ____________
❖ (Enter Amount In Proper Box Below)

ORDERED BY:

If the following is a Visa or MasterCard order - Please print name as it appears on card.

NAME ____________________
ADDRESS ____________________
CITY ____________________ STATE ____________
COUNTY ____________________ ZIP ____________
CITY (outside U.S.A.) ____________________ COUNTRY ____________
POSTAL CODE ____________________ DAY PHONE (________) ____________

SHIP TO:

Use if different from "ORDERED BY"
☐ I have circled item numbers to be shipped to this address.
☐ Please send gift card with this message: ____________________
____

NAME ____________________
ADDRESS ____________________
CITY ____________________ STATE ____________
COUNTY ____________________ ZIP ____________

FOR ALL OTHER ITEMS:

QTY.	ITEM #	TITLE	UNIT COST	TOTAL PRICE
1	1004	Fresh Start SAMPLE	9.95	9.95

SHIPPING & HANDLING CHARGES FOR BOOKS AND PUBLICATIONS ONLY

(Do not add to Membership)

Total of Order	Inside U.S.A.	Outside U.S.A.
1.00 - 5.00	2.00	3.00
5.01 - 15.00	2.50	4.75
15.01 - 25.00	3.00	5.50
25.01 - 35.00	4.00	7.50
35.01 - 60.00	5.00	8.50
60.01 - 80.00	6.00	10.00
80.01 - 100.00	7.00	11.00

SHIPPING & HANDLING
Books & Publications Chart at Left ____________
Videos & Radios in USA $4.00 ea. ____________
Tabloid of Articles #10109 in USA $2.00 ea. ____________
Broadcast Tapes #4001-0 in USA $2.50 ea. ____________

Sub-Total $	
Florida Residents - YOUR County's Sales Tax	
Total Shipping & Handling	
❖ For The People Membership Total	
Tax Deductible Contribution	
TOTAL ENCLOSED	$

(Any overpayment will be applied to contribution unless instructed otherwise.)

CALL IN YOUR ORDER 1-904-397-4288 OR TOLL FREE 1-800-888-9999
(Credit Card Orders Only)

METHOD OF PAYMENT

(Sorry No C.O.D.)

☐ Check or money order (outside U.S.A. send in U.S. funds) payable to PEOPLES NETWORK, INC. (Do not send cash)
☐ MasterCard ☐ VISA

CREDIT CARD NUMBER:
Please do not leave spaces between numbers.

CARD EXP. DATE
Month Year

SIGNATURE ____________________

Did you fill in your name and address above?

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GUARANTEE

If, for any reason, you are not satisfied with any item, just return it to us within 2 weeks and we will be happy to exchange, credit or refund your money.