

## NAFTA Flunks Two-Year Report Card

BY JAMES M. SHEEHAN

The new year marks the second anniversary of the North American Free Trade Agreement's implementation. It is an appropriate time to look back at the treaty's first two years.

Remember Trade Representative Mickey Kantor's campaign-style promises about NAFTA? U.S. exports to Mexico would surge, we would have a two-way trade surplus of \$10 billion, and 200,000 new American jobs would be created in 1995.

President Clinton told us in 1993 how the treaty would make us rich: "[Mexico is] full of 80 million people who spend 70% of the money they spend on foreign products, in the United States of America." NAFTA would cause immigration to decline, and Mexico would become an even more prosperous, modern country.

President Clinton's boldest prognostication: "I believe that you have to just say that the peso would become stronger if NAFTA passes, because it would strengthen the Mexican economy." A majority of congressional Republicans bought into the same line of argument, including Majority Leader Bob Dole (R-Kan.) and House Speaker Newt Gingrich (R-Ga.).

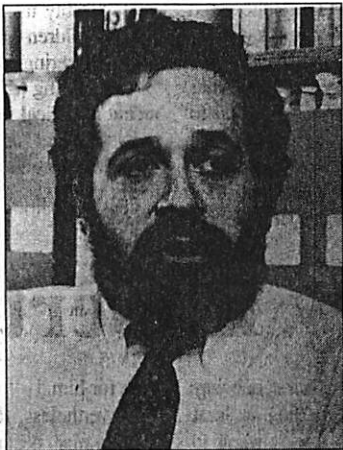
**What has actually happened is much different. The peso lost more than half of its value in 1995. Mexican purchasing power was devastated and so was consumer appetite for American products. Exports to Mexico have collapsed, and the U.S. trade deficit with Mexico has ballooned to nearly \$15 billion. Neither the American riches nor the predicted 200,000 export-related jobs have materialized under NAFTA.**

Conditions inside Mexico bear little resemblance to the modernizing nation raved about by President Clinton and other NAFTA supporters. The people most let down by NAFTA are the Mexicans, who are suffering from the most severe economic depression in their history.

In only a year, over two million are jobless, the economy has shrunk by 7% and the banking system lies in ruins. Facing more taxes, regulations, and even trade barriers, more Mexicans are crossing the border into the United States. The former leader who negotiated NAFTA, Carlos Salinas, has also fled the country amid reports of money laundering, political assassinations and drug-related scandals.

President Clinton once warned: "NAFTA's defeat would shock the Mexican economy, depress wages and living standards, [and] reduce the Mexican capacity to purchase U.S. products." His NAFTA passed, and all of those things happened anyway. And even though government spinmeisters have insisted all year long that "the worst is over" in Mexico, conditions are only getting worse.

While free traders generally embraced the treaty, NAFTA is not really free trade at all. Rather, it forms a trade



Robert Reich

bloc between the United States, Canada and Mexico. NAFTA regulations form new trade barriers to outside countries, forcing consumers to buy regional products. Many federal government actions, from the \$50-billion peso bailout to the market-distorting foreign aid of the NAFTA Development Bank, are attempts to encourage continental trade at the expense of non-NAFTA trade. Such government intervention in the economy is wasting scarce resources to promote a continent-side political bloc similar to the European Union.

Like its European model, NAFTA subverts free enterprise by chipping away at national sovereignty and self-government. U.S. policies are being shaped increasingly by international cooperation.

NAFTA's long-run implications for the United States—supporting warnings made by conservatives before the pact's passage—are explained by two prominent Canadian environmental lawyers, Pierre Marc Johnson and Andre Beaulieu, in the first comprehensive review of NAFTA environmental provisions, *The Environment and NAFTA: Understanding and Implementing the New Continental Law*.

NAFTA, they write, "will directly and durably undermine the idea that environmental enforcement is a reserved domestic jurisdiction solely within the exclusive sovereignty of the [treaty's] parties."

NAFTA countries have begun to develop harmonized regulations to restrict chemicals and metals, transportation,

and energy use. The NAFTA environmental commission is expected to advance a green agenda that has become the specialty of environmental litigators and lobbyists. In NAFTA tribunals, environmentalists have challenged U.S. laws on the Endangered Species Act and Northwest logging.

Fortunately these initial legal maneuvers were thwarted by conservative Republican lawmakers in Congress, but legal appeals through NAFTA could become more formidable as GOP reform momentum falters.

Organized labor has used NAFTA to harass employers and embarrass corporations. Labor unions and Mexican labor officials accused Sprint, the long distance telephone company, of violating NAFTA by closing a San Francisco subsidiary. As a result of the NAFTA probe, Sprint is being hauled before the National Labor Relations Board, where the company must defend itself against charges of unfair labor practices and labor law violations. In addition, Labor Secretary Robert Reich will conduct a San Francisco show trial to trash Sprint on the evening news. It is surely not free trade to force productive companies to defend their business decisions before panels of lawyer-bureaucrats.

The most insidious aspects of NAFTA are the monetary linkages it spawned between the institutions which print the dollar and the peso—the Federal Reserve and Mexican central bank. Their minor affiliation of years past has been institutionalized in a permanent NAFTA financial agreement called the North American Financial Group, whose purpose is to prop up the peso. These political commitments (which have never been ratified in the U.S. Senate), foist inflation on consumers and pilfer the Treasury during economic crises. The U.S. bailout of investment bankers, bond dealers and Mexican debtors can be attributed in part to the NAFTA merger.

The NAFTA treaty, especially for those who thought it would lead to freer trade, has been thoroughly disappointing in its first two years. Mexico's people, its banks, its importers and its exporters are more dependent on the U.S. government than ever before. Don't be fooled again by the predictions and promises for NAFTA.

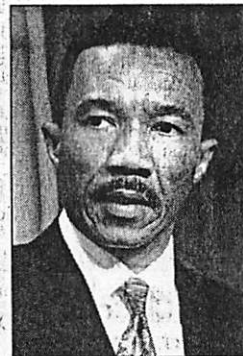
## Mfume's 'Racism' Talk Worries Black Columnist

"Brilliant" is the adjective most frequently used to characterize the recent selection of Rep. Kweisi Mfume (D-Md.) as the new head of the National Association for the Advancement of Colored People (NAACP). At a time when the nation's oldest civil rights organization has been devastated by financial debt as well as by scandal and infighting surrounding its deposed former leader, the Rev. Benjamin Chavis, its troubled helm is being taken over by a five-term congressman with a reputation for eloquence and first-rate organization ability.

Regarded even by political opponents as one of the best orators in the House, the 47-year-old Mfume also won acclaim for his 1993-95 chairmanship of the Congressional Black Caucus. When many Democrats in Congress were abandoning President Clinton on such key issues as his first budget, Mfume mobilized the 36-member Black Caucus into a force that Clinton had to deal with. The caucus provided the President with pivotal votes on the '93 budget (which passed the House by one vote) but also simultaneously criticized him for the few blacks appointed to high-profile policy positions and demanded a detailed agenda on

urban problems. In so doing, Mfume became one of the nation's best-known black political leaders, appearing frequently on news and talk programs.

But while joining in the near-universal liberal hailing of Mfume as the new NAACP leader, one nationally syndicated black columnist has expressed concern about the Baltimore lawmaker's potentially incendiary rhetoric in his acceptance speech. In a column on Mfume's taking the NAACP post, William Raspberry focused on a few of the black leader's remarks: "We are at a crossroads of a tremendous change in our nation. Despite the gains made by African-Americans, racism continues to divide our country and



Kweisi Mfume

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