

HJR

20

HOUSE COMMITTEE REPORT

4/5
Rules

(9)
Date Referred: March 22, 1993

FURTHER REFERRALS:

Date of Committee Action: 4/5/93

The RESOURCES Committee considered:

HJR 20

HOUSE JOINT RESOLUTION NO. 20

AMEND N. AMERICAN FREE TRADE AGREEMENT

Urging modification of the North American Free Trade Agreement.

RECOMMENDATIONS:

be replaced with CS HJR 20 (ITT) the same title
 a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

zero fiscal note(s) ITT Committee / 3-18-93

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Tom Carney</i>		<i>Can Bundo</i>		✓	
<i>Jeanette James</i>					
<i>Eric Davis</i>					
<i>W.R. Williams</i>					

W.R. Williams
 CHAIRMAN'S SIGNATURE

HJR 20, Modifications to NAFTA
Representative Kay Brown

Sponsor's Statement

This Resolution would ask the U.S. Congress to obtain modifications to the North American Free Trade Agreement in order to *protect state's rights to manage their natural resources and environment, to encourage economic development and to protect their citizen's health.*

Alaska must take a stand on NAFTA because, as currently negotiated, the agreement

- *could undermine state procurement practices that encourage the purchase of Alaska products from Alaska businesses.*
- *could threaten state economic development initiatives that offer special programs, subsidies or investment incentives to domestic industries--even fish hatcheries!*
- *could severely restrict our right to manage our resources and environment according to policies and laws enacted by Alaskans.*
- *could exempt foreign food imports from the strict standards that apply to the products of American farms.*
- *could accelerate the "de-industrialization" of America by encouraging manufacturers to take advantage of lax health and safety laws and low wages south of the border.*

Free trade, a laudable goal, cannot be achieved by sacrificing the fundamental rights of states or the protection of our people.

FISCAL NOTE

No. 1

Bill Version: CSHJR 20 (ITT)

(H) Publish Date: 3/22/93

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Revision Date: _____

Dept. Affected: None-Resolution

Title: An Act relating to the North American Free Trade Agreement

BRU: _____

Sponsor: Rep. Brown

Component: _____

Requestor: _____

COMPONENT SERIAL NO. _____

Expenditures/Revenues:

(Thousands of Dollars)

	FY94	FY95	FY96	FY97	FY98	FY99
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE FUND SOURCE:	0	0	0	0	0	0

FUNDING:

(Thousands of Dollars)

	FY94	FY95	FY96	FY97	FY98	FY99
1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF; Program Receipts	0	0	0	0	0	0
1006 GF; MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

	FY94	FY95	FY96	FY97	FY98	FY99
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: \$ 0

ANALYSIS:

(Attach a separate page if necessary)

Prepared by: Walter Wilcox
 Division: ITT Staff
 Approved by ^{Chair:} Xennette James
 Agency: House International Trade & Tourism Committee

Phone: 465-3743
 Date: 3/18/93
 Date: 3/18/93

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September 23, 1992

MEMORANDUM

TO: Representative Kay Brown

FROM: Linda J. Snow *L. Snow*
Legislative Analyst

RE: The Impacts of International Trade Agreements on Alaska State Laws
Research Request 93.013

You asked for information about the effect on Alaska state laws of the North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT). You specifically asked about Alaska laws that could be invalidated by these international trade agreements.

It is difficult to determine the exact impact of the NAFTA and the final agreement of the ongoing round of GATT talks (Uruguay Round) for several reasons. It is uncertain whether either of these agreements will be finalized or ratified by the U.S. Congress. The completion date for the Uruguay Round of the GATT has already been extended 15 times and the parties in the talks are still far from agreement. Political considerations in Europe (many elections are scheduled for 1993) suggest that no one will push for an agreement which may be unpopular. According to David Walsh, director of the Division of Insurance, Alaska Department of Commerce and Economic Development, and member of the several national and international committees dealing with financial services and international trade, the U.S. State Department appears to have given up on achieving an agreement for this round of GATT talks.¹ The main issue of contention is trade in agricultural goods.

The NAFTA has been presented to the U.S. Congress for "fast track" approval, which means the Congress can either approve or disapprove the agreement, but may not make amendments. In this agreement also, politics plays a part. According to Mr. Walsh, strong opposition to the NAFTA exists in both Canada

¹Mr. Walsh is a senior representative in the U.S. delegation to the Organization for Economic Cooperation and Development, chairman of the International Insurance Committee of the National Association of Counties, either chair or vice-chair of several committees of GATT and NAFTA dealing with financial services, and a member of an informal advisory group to the U.S. Department of Commerce on financial services and international trade agreements.

and Mexico. The outcome of the U.S. general election will also have a large impact on the status of these agreements.

Furthermore, if and when these agreements are implemented, their various provisions must be tested through challenges. Only when such challenges are resolved will the meaning of the provisions be clear, as the language is vague and subject to interpretation.² If the NAFTA is approved, many of the provisions will be similar to those of the GATT. Where the NAFTA is not in accord with the GATT, countries with a dispute may use the GATT criteria and dispute resolution processes if they choose, because the GATT is superior to the NAFTA.³

A 1964 Supreme Court decision (*Hostetter v. Idelwild*) ruling that state laws can be overridden by other laws requiring the United States to abide by international obligations implies that states are required to abide by international trade agreements to which the U.S. is a signatory. Proposed language for the evolving GATT and NAFTA agreements also suggests that state and local laws are subordinate to these international agreements, and that proposed state and local legislation must be available for review by the parties to these agreements. If the Uruguay Round of the GATT and the NAFTA become international law to which our country is a party, they potentially could impact state and local laws, regulations and programs in the following areas:

- export assistance or subsidies, such as that provided by the Alaska Industrial Development and Export Authority and the Alaska Seafood Marketing Institute;
- special treatment of residents in the procurement code, such as that given by the Alaska Products Preference Program;
- restrictions on nonresident and foreign ownership and investment, including investment in the banking and insurance industries, such as not allowing firms owned or controlled by foreign governments to be licensed in Alaska;

²Mr. Walsh jokingly calls the Uruguay Round of the GATT "the lawyers full employment act of 1993."

³In the NAFTA dispute resolution process, the burden of proof is on the challenger. However, under the GATT dispute resolution process, the burden of proof is on the party being challenged. The challenger may choose whether to use the GATT or the NAFTA dispute resolution process.

- import requirements above the "harmonized" "least-common denominator" international standards in packaging, production techniques, allowable levels of toxicity and other standards;
- export restrictions such as quotas and primary processing requirements;
- domestic industry subsidies such as small business assistance programs and state loans to fish hatcheries; and
- conformity assessment procedures which examine imports for compliance with state technical, environmental, and health and safety regulations.

The sectors of Alaska's economy which may be affected include agriculture, timber, fisheries, mining (including coal, oil and gas), financial services, and any business manufacturing a product or providing a service which receives a subsidy or business assistance. Even if state laws are not affected, state industries may be. For example, the Alaska commercial fisheries industry may be impacted if another party to GATT is allowed to "dump" competing products in the U.S. without restriction. Other possible impacts affect all residents of the state through potential relaxation of health and safety, and environmental regulation of imports and domestic products alike.

Many state and local laws may acquire limited "grandfather rights" or be exempted from these international agreements once they are identified. The Office of the United State Trade Representative (USTR) has surveyed the states to identify state laws which may conflict with the GATT and NAFTA agreements in some areas. Although we have been unable to obtain copies of those surveys from either state or federal agencies, we have obtained Alaska's response to a questionnaire from the U.S. Department of Treasury regarding state laws dealing with investments in Alaska by foreign and out-of-state entities which may impact the NAFTA (Attachment A).

Attachment B of this report is an excerpt from *U.S. Multilateral Trade Agreements and the States: An Analysis of Potential GATT Uruguay Round Agreements*, prepared by the Western Governors' Association, which provides a good overview of the progress of the Uruguay Round talks, and how they may impact state and local laws. Attachment C contains several articles and reports pertinent to the subject. They are:

- *GATT Decision on Beer/Wine Threatens State Sovereignty* by the National Conference of State Legislatures, July 10, 1992;
- *U.S.-Canada Free Trade Agreement: Possible Restrictions on Alaska's In-state Preferences* House Research Agency Memorandum 89.276, April 3, 1989;

Representative Brown
September 23, 1992
Page 4

- *U.S./Canada Free Trade Agreement and Alaska Exports*, Senate Advisory Council Memorandum 89-100004, January 18, 1989;
- *States Asked to Open Procurement to Foreign Competition*, by the National Conference of State Legislatures, August 22, 1991;
- *General Agreement on Tariffs and Trade: What It Is, What It Does*; and
- *Trade, Environment, and Sustainable Development: A Primer*, by Robert Housman and Durwood Zaelke.

Although it is not possible to know if either the Uruguay Round of the GATT or the NAFTA will reach fruition, it may be prudent for the state to undertake a systematic study to identify specific state and local laws which may be impacted by these agreements. In some cases, unless the specific laws are identified, they cannot be exempted from subordination to these international agreements. We have not included such a detailed study within the scope of the current research effort, as the complexity and value of the task deserves further discussion, particularly with administration officials who would be called upon to cooperate with the study. We also feel that legal assistance is essential to completion of this task.

We hope this information is helpful to you. If you need further assistance, please feel free to contact this agency.

Attachments



*Write Story
Legislative Research*

LEADING THE NEWS

NAFTA

NO DIRECT SANCTIONS ALLOWED IF MEXICO LAX IN ENVIRONMENTAL ENFORCEMENT, REILLY SAYS

If Mexico refused to enforce its environmental laws, the United States under the North American Free Trade Agreement could not directly apply trade sanctions, Environmental Protection Agency Administrator William Reilly said Sept. 15.

In such a situation, the United State would have no direct recourse except formal consultations with Mexico, Reilly told the House Ways and Means Committee.

Many members of Congress will vote against NAFTA because it does not contain an explicit provision on trade sanctions for lax environmental enforcement. — Rep. Matsui

Reilly also testified that it was "unrealistic" for Mexico not to enforce its environmental laws, statutes that the EPA chief said were comparable to U.S. laws. The possibility of Mexico relaxing its environmental enforcement "is remote," he said.

A number of Ways and Means members stressed the need for trade sanctions under NAFTA if Mexico does not enforce its environmental laws.

Rep. Robert Matsui (D-Calif) said he thinks many members of Congress will vote against NAFTA proposed by the Bush administration because the accord does not contain such a provision. Matsui noted that a major concern that many legislators have about the proposed NAFTA is that U.S. companies will move to Mexico because of lack of environmental enforcement.

If many U.S. businesses migrated south, remaining facilities would be disadvantaged competitively, said Rep. Jim McDermott (D-Wash). He said Congress wants to protect the U.S. environment but does not want to send businesses to Mexico.

Environmental Hammer

Matsui said NAFTA needs an environmental "hammer" clause — a provision that would give the United States leverage in negotiations over enforcement of environmental laws. Without such a provision, the NAFTA consultations would become primarily diplomatic rather than trade centered, he said.

Such a "hammer" clause could include provisions for the United States to snap tariffs back into place if Mexico is found to relax enforcement to pump up investment in its industrial sector, Matsui said.

Rep. J.J. Pickle (D-Texas) said if Mexico fails to enforce environmental laws along the border, his constituents need assurances that they will not "end up holding the bag." He added, "There must be a mechanism" to ensure enforcement.

Reilly pointed out that the United States could exclude products made in Mexico contrary to U.S. laws — such as those containing banned chemicals or hazardous waste shipped in violation of agreed-upon terms.

Reilly said Mexico and the United States are crafting on a parallel track to NAFTA a "cooperation agreement" to address pollution and environmental initiatives. This accord would establish a Joint Committee for the Protection and Improvement of the Environment.

The joint committee, Reilly said, would be composed of representatives from various federal agencies in both countries and led by two national coordinators, one from Mexico, one from the United States. It would meet regularly and on an emergency basis.

In addition, the Bush administration is seriously considering a suggestion by the National Wildlife Federation and the World Wildlife Fund that the United States, Mexico, and Canada form a trilateral environmental commission, Reilly said. This trilateral group would issue an annual report on the state of the environment in all three countries, he said.

Wyden Letter To Hills

Distributed at the Ways and Means Committee hearing was a Sept. 14 letter from Rep. Ron Wyden (D-Ore) to U.S. Trade Representative Carla Hills on NAFTA.

"You describe this proposed agreement as 'the greenest trade agreement in history,' but the fact is that much of it is more brown than green," Wyden wrote.

Like members of the Ways and Means Committee, Wyden expressed concern that the NAFTA fails to establish an adequate plan on relaxed enforcement environmental laws. He also said the proposed pact would not protect future environmental agreements that rely on trade sanctions for enforcement.

The proposed NAFTA would discourage countries from seeking to attract investment by weakening environmental laws "but provides for only consultation, not enforcement, if a country does so.

"The final NAFTA should treat such behavior as an actionable trade violation, just as it treats other violations of the investment rules," Wyden said.

The Oregon representative also expressed concern that the proposed accord would "allow a country to use NAFTA to veto another country's desire to join an environmental agreement that uses trade sanctions for enforcement." □

End of Section

Statement by the AFL-CIO Executive Council

on

U.S.-Mexico Free Trade Agreement

February 20, 1991
Bal Harbour, FL

The proposed U.S.-Mexico free trade agreement would be a disaster for workers in both countries. It would destroy jobs in the United States, while perpetuating exploitation of workers and inflicting widespread damage on the environment in Mexico. The beneficiaries would be multinational corporations and large banks.

To secure the eventual passage of an agreement, the Bush Administration is pushing hard for "fast-track authority" from Congress. This procedural tactic would allow only for a simple and unconditional yes-or-no vote without the opportunity for amendment by Congress.

The strategy behind fast-track authority is plain. The White House knows that the agreement cannot withstand searching scrutiny, and it is doing its best to prevent public debate.

There is a preview of what an agreement would bring. It is the maquiladoras, the U.S.-owned plants that operate inside Mexico along the border but produce goods exported back here.

The pay averages 60 to 80 cents per hour, barely a subsistence wage. Many workers live in shacks made of packing materials, with no running water, sewers, or electricity. The air pollution and toxic waste generated by maquiladoras are among the worst in the world.

The Wall Street Journal has noted that "[the maquiladoras'] very success is helping turn much of the border region into a sinkhole of abysmal living conditions and environmental degradation."

The maquiladoras have flourished because U.S. companies have seen an opportunity to pay Mexican workers a fraction of the wages that U.S. workers receive, and to evade the standards for occupational safety, workers' compensation and environmental protection that are required here.

The supporters of a U.S.-Mexico free trade agreement say it is a "ladder to prosperity" for Mexican workers; but all of the bottom rungs are missing. The reason that U.S. corporations have established facilities in Mexico is not to promote economic development, or raise the standard of living and level of consumption there; it is to increase corporate profits.

Can the States Live Happily After NAFTA?

The new North American Free Trade Agreement is likely to start more arguments than it settles.

BY PENELOPE LEMOV

Trade-policy junkies love to tell this tale—in part because it wraps wine and beer around international intrigue, but also because it provides a clue to what lies ahead for state governments if and when the North American Free Trade Agreement goes into effect.

The story starts a few years ago, when two U.S. brewers, Heileman and Stroh's, eyed the Canadian market and hoped to start selling some beer north of the border. It turned out that the Canadian provinces had laws, dating back to the Depression, that precluded the sale of any beer that wasn't brewed there. The two American companies, citing the General Agreement on Tariffs and Trade, claimed the requirements were unfair. The U.S. government sought a ruling on the issue from an international trade panel, and when that panel rendered its decision, Canada came out the loser: It had to let the American brewers come in.

But the Canadians struck back. They studied American laws and came up with hundreds of wine and beer regulations in more than 40 states that amounted to restraint of trade. Some of those state laws were giving tax preferences to wine from local vineyards; others were requiring that beer imported into a state be delivered by a common carrier rather than on a brewer's own truck.

The Canadians took their case to an international trade panel, and, last spring, that panel ruled that most of the U.S. statutes violated the interna-

tional trade law and that the U.S. had to tell its states to repeal them or face fines and sanctions. That is what the federal government is now in the process of doing. "There'll be a lot of surprised legislators this winter," says Charles Colgan, professor of public policy at the University of Southern

coming. NAFTA, a three-way trade deal involving the United States, Canada and Mexico, enlarges and strengthens the rules that have been in place thus far under the multinational GATT agreement. NAFTA goes far beyond imports and manufacturing. Its tentacles extend into the realm of state law on banking and insurance, regulations on health and safety, and laws protecting the environment. If Congress passes legislation implementing the trade agreement and the president signs it, NAFTA will reinforce and push forward a trend that developed out of the beer-wine case. This trade pact obligates the federal government to

an international agreement that states will be required to implement and fulfill in a wide range of areas.

This was once unthinkable by historical standards. Until the past few years, the role of the states in world trade was essentially nonexistent. International trade treaties dealt almost exclusively with federal tariffs on commodities and products. But in recent years, those agreements have been stretched to include non-tariff barriers such as licensing, subsidies and product standards—areas that fall within the traditional regulatory domain of states, not nations. This trend began to accelerate through the decade of the 1980s. Now it is a major focus of NAFTA.

Virtually every state regulates its economy in ways that are going to conflict with the agreement. Many of them require, for example, that the owners of an insurance company be residents of the state. Others

impose trucking safety standards that foreign vehicles do not necessarily meet. Most states impose requirements for banking charters that would make it extremely difficult for a Canadian or Mexican firm to enter the market.

Under NAFTA, the states will have two years to review those sorts of



Maine. "Somebody from Washington will arrive and say, 'The way in which you regulate the distribution of beer and wine in your state is now illegal, and you have to change it.'"

But the Sixpack Surprise isn't why Colgan and other trade policy people tell this story. They tell it because it may be just a pale imitation of what is

restrictions. They won't be required to repeal them, but they will have to pick and choose which ones to place on a list of laws and regulations that, even if they are discriminatory, will not fall under the watchful eyes of NAFTA and the trading partners.

While there is nothing to prevent a state from keeping all of its current laws, there are risks in doing that. If states grandfather in all their laws, they won't give Canada, with its \$285 billion services market, or Mexico, with its \$146 billion services market, much incentive to open up their markets more broadly. If too many discriminatory regulations turn up on the list, a state could be seen as hostile to NAFTA and could lose out on the benefits of the agreement—the ability to participate actively in new trade markets.

And such states may find it hard to attract investment from trading partners. "You don't want to be known as a state that discriminates against any sort of investment," says Dan Caprio, a lobbyist for the state of Illinois. "The bottom line is job creation."

ENVIRONMENTAL LAWS AND regulations may be the thorniest issue of all. State governments have spent the better part of 20 years setting standards and laying down rules to protect the health and safety of their citizens and of the environment. But, as with the wine and beer statutes, such laws can be interpreted as disguised trade barriers.

The states have some protection. NAFTA stipulates that as long as an environmental regulation can be justified on the basis of scientific evidence, it cannot be considered a restraint of trade. But as armor, that is not as strong as it at first appears to be. What seems like scientific proof in Pennsylvania or Illinois may be read as nothing more than an excuse in Ottawa or Mexico City.

There is some question, for example, about recycling laws. Suppose a state approves a regulation setting the percentage of recycled material that has to be included in any copying paper that happens to be sold there. Could a Canadian company that makes paper only from virgin materials charge that such a law discriminates against it and is a hidden restraint of trade?

A state's best defense against this kind of charge is likely to be that it treats the products of other countries in the same way it treats its own, and thus cannot be discriminating. But that doesn't mean there won't be a test case on this type of issue if and when the pact is signed and goes into effect in the three countries.

Even if there is evidence to back up a regulation, states could find their environmental laws undermined. The science itself could be disputed. For instance, the U.S. and the European Community are currently at loggerheads over whether the use of artificial hormones to stimulate the growth of beef cattle has any effect on human health. Europeans say it does and refuse to import beef from those animals. The United States says that is nothing more than an excuse to keep out competition. NAFTA does not provide any simple mechanism for resolving such disputes among the North American trading partners.

A state could also lose a scientific argument when its interests take second place to its nation's foreign policy concerns. Under NAFTA, environmental disputes with Mexico or Canada are to be handled by the federal government, and in particular, the Office of the United States Trade Representative. And that's where the states may find their interests imperiled.

One trade expert, Harry Freeman, a Washington, D.C.-based trade policy consultant, offers this scenario: Mexico charges that a California environmental regulation is not based on solid scientific evidence but is, rather, an artificial trade barrier created by the state. The argument goes before a dispute resolution panel. But California is not allowed to represent itself—the federal government argues the case.

As it turns out, the State Department in Washington is in the process of negotiating with Mexico on an unrelated

international issue, perhaps immigration or drug policy. The State Department tells the U.S. Trade Representative not to let the trade dispute get in the way of its broader diplomatic agenda. "If there's an argument with Mexico or Canada," Freeman concludes, "the federal government could sell a state down the river in the interest of foreign policy considerations."

That's why, he adds, the states "are crazy" if they don't ask Congress now, while it is writing implementing legislation to go along with the agreement, to find a way consistent with the Constitution to assure a place for the states at the dispute-settlement table.

At the very least, says Jody Thomas, a trade specialist with the National Governors' Association, there must be "some sort of formal mechanism between the fed-

eral government and the states to coordinate and consult in those matters requiring state implementation and those where state law is challenged or in dispute."

On the wine-beer issue, for instance, the U.S. Trade Representative contacted the more than 40 states involved and worked with them to develop a case. One state—Texas—sent a representative with USTR officials to Geneva when the U.S. defense was presented. But that was an informal arrangement. "For the long term," Thomas says, "we need something more established that clarifies the communication link and contact points."

So far, USTR has appointed a liaison for state and local concerns within its offices. The odds are, assuming the agreement becomes law, that whoever fills that job in the next few years is going to have an unending list of arguments to settle and tempers to soothe. And the people on the other end, in the state capitols, are going to find it a tense time as well. "We are entering a period," Charles Colgan says, "when states are about to find out they have a whole bunch of obligations they never knew they had." □

The environmental rules that state governments have spent 20 years writing could be interpreted under NAFTA as trade barriers.



KENAI PENINSULA CENTRAL LABOR COUNCIL

RANDALL KNOWLES
President

BOX 1757 • SOLDOTNA, ALASKA 99669

April 3, 1993

Representative Bill Williams
Chairman House Resources Committee
Alaska House of Representatives
State Capitol, Juneau, Alaska 99801-1182

Fax: 1-465-3793

RE: House Joint Resolution 20
Relating to the NORTH AMERICAN FREE TRADE AGREEMENT

Dear Representative Williams

The Kenai Peninsula Central Labor Council requests the following comments be read into the record of your Committee's meeting and dispursed to all Committee members.

As a group of working women and men we are interested and at times concerned with various aspects of the proposed NORTH AMERICAN FREE TRADE AGREEMENT.

*Sender
Gene DeKerleby and
Phone: 262-5787
SECRETARY - K.P.C.L.C.
Thanks*



K.P.C.L.C. 1 of 3

On December 17, 1992 President Bush signed the North American Free Trade Agreement (NAFTA). If approved by Congress the goal is to integrate the economies of Canada, United States and Mexico by removing the regulations and Trade barriers on manufacturing and the movement of goods between our countries.

At first glance this may appear to be quite beneficial, but closer scrutiny reveals what should be of grave concern to all.

The disparity in wage spells disaster for all workers in the United States and Canada. The average manufacturing wage in Mexico is \$1.85 an hour. In Mexico's current Free Trade zone the average wage is 63 cents an hour. Mexico also needs to create 1 million new jobs every year to keep up with new entrance into the job market which creates a tremendous over supply of cheap labor to drive the wages even lower.

Supporters of NAFTA maintain that it will create new jobs for Canadian and American Workers - this is an empty promise. Since 1989 Canada has lost 461,000 jobs. The Maquiladora Trade Zone between the United States and Mexico that was set up in 1971 contained about 200 Firms with 2000 jobs. Today it contains about 2000 Firms and 500,000 workers earning about 63 cents an hour.

Delco has closed plants in the United States and now employs 10,800 workers in Mexico. Zenith and Motorola have also left the United States. In 1974 General Motors had three plants with 7000 workers in Mexico, by 1991 it had 30 plants with 56,000 workers. In the same year General Motors announced 74,000 layoffs in the United States and plans to close 21 United States plants by 1996.

Twenty years after establishing this Trade Zone the Mexican worker still earns 63 cents an hour, about \$29.00 take home pay per week. The average per-capita income in Mexico of \$2010 a year does not make the Mexican worker a ready consumer of United States made products.

With the loss of each manufacturing job in the United States there is a ripple effect throughout our entire economy, with the additional loss of jobs in the service sector. Consumer spending falls, communities falter, tax bases crumble, social services are strained to the limits as government revenues decline.

This arrangement has done nothing more than to exploit the workers and the environment on both sides of the border.

United States. Trucking Industry will suffer a tremendous blow. On April 2, 1992 President Bush ordered states to accept Mexican Commercial Driver Licenses. President Bush claims his agreement with Mexico supersedes current state regulations that insure public safety and requires Mexican drivers to pass a written and on the road test. It leaves states unable to monitor repeat violations of Mexican drivers or take actions to revoke licenses. It fails to address liability and the impact on our insurance rates from accidents involving uninsured Mexican truck drivers.

NAFTA will allow cross/border trucking without meeting United States standards on truck maintenance, inspections, emissions and safe transport of hazardous materials. Truck size and weight rules are left to "Future discussions." Under NAFTA weight limits could increase by over 50%.

The NAFTA agreement provides no protection for United States food, health, safety or environmental standards. Pesticides that have been illegal in the United States for years are currently in common use in Mexico.

Triazophos used on corn, cottonseed and potatoes, Edifenphos used on rice, Phoxim used on corn, rice and sorghum all disrupt the central nervous system, causes nausea, diarrhea, headaches, twitching, cancer, convulsions and death. Pirimicarb used on apples, beans, citrus, onions, peaches, pecans, chili and sweet peppers, potatoes and wheat causes vomiting, diarrhea, blurred vision, slurred speech, respiration disorders and death.

Seventeen pesticides banned in the United States are used in Mexican agriculture. Fifty eight others are used in Mexico in ways that are illegal in the United States. Under NAFTA any challenges to these practices would be considered unfair trade barriers.

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The agreement establishes an undemocratic high secretive resolution mechanism that eliminates citizen and public oversight for defending food safety, consumer product safety, environmental regulations on hazardous substances.

Labor law and workers rights are completely absent and not recognized in this agreement.

As proposed, NAFTA provides no funding mechanism for environmental clean up, no program for inspection, or enforcement of the handling and disposal of hazardous materials. It fails to incorporate the "polluter pays" program which would create an incentive for responsible behavior.

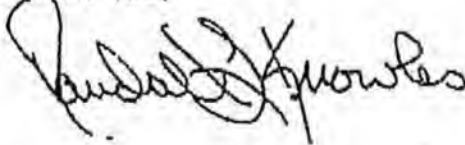
We need fair trade instead of free trade with a vehicle that will pull our nations together - not exploit them. We must learn to operate outside our borders in a world economy, but we cannot intrust the multi-national corporations to remain at the helm of this agreement.

NAFTA needs an extensive review by the United States Congress; modifying it to provide safe guards for workers, environmental protection, with consideration for the citizens on both sides of the border.

Until we know what the full impact of such an Agreement would be, on Alaska, and Alaskan families, and workers, The Kenai Peninsula Central Labor Council, urges full support of HRJ 20 by your committee.

It is important that Congress, the President, and the nation be fully aware of Alaska and its concerns, over the North American Free Trade Agreement.

Thank you,



Randall Knowles
President
Kenai Peninsula Central Labor Council

Telephone: (907) 283-9299

cc: Sponsor HJR-20
Rep. Kay Brown
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Alaska State Legislature

Please enter into the record my testimony to the House Resources
 committee name
 committee on H.R. - 20 , dated April 5, 1993
 bill/subject

Note: Following testimony was read into the record during TC -

Signed: *John C. Brien*
 Testifier

Representing (Optional)
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**STATEMENT OF JOHN C. BHEND
BEFORE THE HOUSE RESOURCES COMMITTEE
STATE OF ALASKA, HOUSE OF REPRESENTATIVES
ON THE
HOUSE JOINT RESOLUTION 20
RELATING TO THE NORTH AMERICA FREE TRADE AGREEMENT**

Mr. Chairman and members of the Committee, I thank you for this opportunity to present my views on House Joint Resolution 20 regarding the proposed North America Free Trade Agreement. There are few public policy issues confronting this nation and the State of Alaska that have as much significance for working people as does the NAFTA. I strongly believe that the substance of NAFTA is ill-conceived and ill-advised and that the agreement needs to be substantively modified or rejected.

As drafted, NAFTA is an agreement based solely on exploitation. It will destroy jobs and depress wages in the U.S. and Canada by abetting the further transfer of jobs to Mexico. At the same time, it will do nothing to uplift the desperately low wages and harsh working conditions of the Mexican people.

While providing extensive protection for investors, the agreement ignores the rights of working people, and it will limit the ability of national, state and local governments to adopt measures to promote employment and protect public health, safety and the environment.

I have a number of concerns regarding NAFTA.

1. NAFTA undermines U.S. food, health, safety, labor and environmental

standards.

2. NAFTA provides no means of trade-linked enforcement of environmental, labor, health or safety standards.
3. NAFTA includes an undemocratic dispute resolution mechanism that excludes the public from defending social, environmental and labor laws and regulations that may be challenged under this agreement.
4. NAFTA can limit state sovereignty relating to laws and regulations regarding the domestic policy goals of the State of Alaska which can be at odds with NAFTA .
5. NAFTA will hamper efforts to lower health care costs.
6. NAFTA includes an accession clause which will spread these and many more deficiencies through the hemisphere from Anchorage to Tierra de Fuego.

However, I wish to focus my comments on the impact on working people in this nation and the State of Alaska.

The enactment of NAFTA, as presently proposed, will be an economic and social disaster for working people and their communities. Under current trade arrangements, tens of thousands of U.S. workers have lost their jobs and tens of thousands more have seen employment opportunities vanish, as U.S. transnational corporations transferred production to Mexico to take advantage of the poverty of Mexican workers, and the absence of any effective regulations on corporate behavior.

We do have a glimpse of what will happen under NAFTA as presently envisioned. We can look to the Maquiladora program in Mexico and the Canada-U.S. Free Trade Agreement.

The Maquiladora program was initiated 25 years ago. Its purpose is to allow U.S.-based transnational corporations to produce commodities in the maquiladora zone and ship the products to the U.S free of any tariffs, U.S. laws governing worker rights, health and safety provisions, and environmental restraints. U.S. workers have suffered tremendous job losses under this program. Since 1979 the U.S. lost 220,000 auto parts related jobs with a growth of 150,000 Mexican jobs in the maquiladoras in this industry. During this 25 year period, over 400,000 U.S. jobs in textile related industries were permanently lost. Since March 1989 the electronics industry has lost 441,000 jobs with greater than 50% of these jobs going to the maquiladoras. The stone, clay and glass industry, 89,000 jobs lost; the furniture industry, 56,000 jobs lost.

In 1989 the bi-lateral Canada-U.S. Free Trade Agreement went into effect. The Canadians saw 461,000 manufacturing jobs permanently lost and approximately 20% of their manufacturing base disappear across the border into the U.S. mainly because of lower wages, lower real estate prices, and lower taxes. Three years into the agreement Canadian working people are suffering one of the worst recessions since the 1930's.

That being said, Canada at least has wage levels, living standards and

regulatory structures similar, if not superior, to the U.S. Canada's economy is one-tenth the size of the U.S. economy, thus one could reasonably project what the future implications of the NAFTA could have on the U.S.. Especially when entering an agreement with Mexico, a country where wages and social protections are almost nonexistent when compared to our own, this simply invites disaster for U.S. working people.

House Joint Resolution 20 cites the International Trade Commission estimate of 170,000 U.S. jobs lost if NAFTA is approved. However, there are many economic analysts that question the economic assumptions and definitions in that study. The Economic Policy Institute and the AFL-CIO, using the same economic model and incorporating more sensible assumptions, have estimated that 500,000 U.S. jobs would be lost. It could be even higher if the Canadian experience under the Canada-U.S. Free Trade Agreement holds as a projection.

The "harmonization" as promoted under NAFTA means that over time, the laws, taxes, social programs, and regulations of the three countries must be brought in line with one another. Since NAFTA does not mandate higher standards, the tendency will be for a downward harmonization.

If we let U.S. transnational corporations continue to move their production elsewhere as they seek lower wages and more lax restrictions and regulations, that will put us straight on the ladder downward. All of our experience with trade liberalization in the past has shown that workers who are

displaced by trade move down the job ladder, that they end up taking lower paying jobs, lower skilled jobs, and there is nothing in this agreement that would indicate that it would be any different.

When the U.S. loses half a million manufacturing jobs, the impact does not stop there. The vitality of the public and service sectors in our economy is directly linked to manufacturing. For every two factory jobs lost, three more jobs are lost in the service sector. Social cost analyses repeatedly find that when manufacturing is lost, there is a ripple effect throughout the entire economy. Tax bases crumble. Consumer spending dwindles. And, social services are deluged.

Under NAFTA, the laws, regulations and policies which promote the welfare of Alaskan citizens can be interpreted as trade barriers. NAFTA could limit Alaska's flexibility when offering special programs, subsidies, or investment incentives to its domestic industries, such as fish hatcheries and processing plants, mineral extraction and transportation, and milling of timber resources.

In conclusion, NAFTA does not address any of the factors that are vital to improving the relationship between Canada, the U.S. and Mexico. The issues cited above and many others are either ignored, or side-tracked into separate commissions, studies or committees with no enforcement. The issues above must be dealt with before any consideration is given to further trade liberalization, so that the majority of people in all three countries will benefit,

and not be harmed, by international trade.

I strongly urge you to support HJR 20 urging modification of the North America Free Trade Agreement, and to address in the resolution the issues confronting working people in the nation and the State of Alaska, to insure that the working people and communities of Alaska will benefit and not be harmed by international trade.

Thank you.



HOUSE RESOURCES COMMITTEE

SUBJECT OF MEETING:

HB 218 - 58-H Limit on Seine Vessels
HJR 20 - Amend NAFTA

DATE: Mon. April 5, 1993

PLACE: Capitol, Room 124

PLEASE PRINT NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
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Gene Deckerlegand Deckerlegand		P.O. Box 1757 S. of Central Anchorage	99669		262-5787	<input checked="" type="checkbox"/>	"
Joan Bennett Schraeder	coalition of labor women	P.O. Box 1587 Kenai	99611		283-4359	<input checked="" type="checkbox"/>	"
						Y	N
						Y	N
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