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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release August 12, 1992

STATEMENT BY THE PRESIDENT

Today marks the beginning of a new era on the North American continent. This morning, the United States, Mexico, and Canada are announcing the completion of negotiations for a North American Free Trade Agreement -- NAFTA. I want to express deep appreciation to Ambassador Carla Hills, our United States Trade Representative, and to Secretary Serra of Mexico and Minister Wilson of Canada for this outstanding achievement.

This historic trade agreement will further open markets in Mexico, Canada, and the United States. It will create jobs and generate economic growth in all three countries.

The Cold War is over. The principal challenge now facing the United States is to compete in a rapidly changing and expanding global marketplace. This agreement will level the North American playing field, allowing American companies to increase sales from Alaska to the Yucatan. By sweeping aside barriers and expanding trade, NAFTA will make our companies more competitive everywhere in the world. We have seen this happen with the U.S.-Canada Free Trade Agreement; we will see it even more with the NAFTA.

Open markets in Mexico and Canada mean more American jobs. Our nation is the world's leading exporter -- well ahead of Japan and Germany. Today, over seven million Americans are hard at work making products that will be sold around the world. Export-related jobs pay 17 percent more than the average U.S. wage. These jobs are the kind that our nation needs to grow and prosper -- the kind that showcase American talent and technology.

More than 600,000 Americans are now employed making products and selling them to Mexico -- our fastest growing major export market. We sold over $33 billion worth of goods to Mexico last year, and are projected to sell $44 billion this year. In the last five years, as President Salinas has dismantled many longstanding Mexican trade and investment restrictions, our exports to Mexico have nearly tripled -- that's more than one-quarter of a million new American jobs. This agreement helps us lock in these gains and build on them.

Last year the Congress endorsed moving forward with NAFTA by extending the "fast track" procedures for congressional consideration and implementation of trade agreements. The successful completion of the NAFTA talks shows how much can be accomplished when the Executive Branch and the Congress work together to do what is best for our Nation. I will work closely with Congress for rapid implementation.

At the time "fast track" was extended, I outlined steps we would take to address environmental and labor concerns. We have taken every promised step, and we are meeting -- or beating -- every commitment I outlined.

This is the first time a trade agreement has included stringent provisions to benefit the environment. The NAFTA maintains this nation's high environmental, health, and safety standards. In fact, it goes even further and encourages all three countries to seek the highest possible standards.

The Environmental Protection Agency and its Mexican counterpart have already developed a comprehensive integrated border plan to clean up air, water, and hazardous waste along the Rio Grande. These problems are serious, but they will be solved by environmental cooperation, increased trade, and higher levels of economic growth -- not protectionism. Unfortunately, Congress has reduced funding for our border plan in the appropriations process -- I ask Congress to fully fund these important environmental initiatives.

With NAFTA, we are moving forward with our trade strategy. Trade is part of my long-term economic growth plan to create more opportunities for all Americans. In a changing world, we must give our workers the education and skills they need to compete, and assistance and training to find good jobs.

I've said many times: level the playing field and the American worker can out-think, out-produce, and out-work anyone, anytime.

Today's historic agreement links our future with our past. Five centuries ago this very month, a man of courage and vision set sail from the Old World in search of new trade routes and opportunities. Christopher Columbus was an entrepreneur -- and the journey he started 500 years ago continues to pay off abundantly today. By moving forward with the North American Free Trade Agreement, we will replenish that investment, opening up new horizons of opportunity and enterprise in the New World.

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KEY POINTS: NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

NAFTA IMPLEMENTS PRESIDENT BUSH'S VISION OF CONTINENTAL FREE TRADE

- Since President Bush took office, the United States has regained its position as the world's No. 1 exporter, with $422 billion in exports supporting 7.5 million jobs in 1991. Those export-related jobs pay 17% more than the average U.S. job.

- NAFTA will increase growth and jobs by linking us to our first and third largest trading partners, Canada and Mexico.

  -- Exports to Mexico have almost tripled since 1987, to an estimated $44 bn (est. $8 bn surplus) in 1992. 85% of US exports to Mexico are manufactured goods.

  -- Since 1988, the year the U.S.-Canada Free Trade Agreement was concluded, exports to Canada have risen $13 billion -- 19 percent -- to $85 billion in 1991.

- **More than 600,000 Americans owe their jobs to our exports to Mexico.** That number is expected to swell to over one million by 1995 if NAFTA and Mexican economic reforms are implemented. All credible academic studies predict NAFTA will produce significant net U.S. job creation and real wage gains.

NAFTA WILL GENERATE JOBS AND BOOST EXPORTS BECAUSE IT:

- **Eliminates tariffs and nontariff barriers.** About 65 percent of U.S. exports of industrial and agricultural goods will enter Mexico duty-free either when NAFTA is implemented or within five years;

- **Opens Mexico's $146 billion services market.** U.S. banks, insurance, trucking and telecommunications companies (and others) will have long-standing barriers removed. NAFTA will also improve access to Canada's $285 billion services market;

- **Opens up the North American auto market.** NAFTA will slash Mexican tariffs by half immediately and phase-out restrictions that have kept U.S. parts and vehicles out of Mexico's auto market;

- **Provides fair rules for investors.** U.S. companies in Mexico and Canada will be granted equal treatment with nationals, and will no longer face export or "local content" requirements;

- **Strengthens patent, copyright, and trademark protection.**

NAFTA WILL SAFEGUARD U.S. WORKERS AND SENSITIVE INDUSTRIES

- NAFTA gives sensitive sectors time to adjust to full competition by gradually phasing out tariffs and by providing a safeguard against injurious import surges; and through

- Tough rules of origin to prevent non-NAFTA countries shipping products through Canada or Mexico to take advantage of NAFTA.

- The Administration is also working with the Congress to ensure that effective, adequately funded worker adjustment assistance is in place by the time NAFTA is implemented.

NAFTA WILL ENHANCE ENVIRONMENTAL PROTECTION IN NORTH AMERICA

- NAFTA specifically protects U.S. health, safety, and environmental standards. Furthermore, NAFTA allows states and cities in NAFTA countries to enact tougher standards.

- NAFTA also permits parties to restrict trade in endangered species and to take other steps pursuant to international environmental accords.

- Presidents Bush and Salinas have already increased cooperation on common environmental problems:

  -- In February 1992, the two presidents announced the "Integrated Environmental Plan for the Border" which will oversee working groups on air and water pollution, waste and hazardous waste management, and emergency response.

  -- Mexico has pledged $460 million over three years and President Bush's FY93 budget includes $241 million--twice the level in FY92--for the border's rivers, air, and waste. Unfortunately, Congress cut this request by almost $100 million.

- In the longer term, NAFTA will help Mexico's economy grow, creating more resources for the environment. Studies show that as a nation's GDP increases, pollution decreases.

NAFTA-LED GROWTH IN MEXICO WILL HAVE OTHER BENEFITS FOR THE U.S.

- As Mexico's economy grows, it will import more: 70 cents of each Mexican import dollar -- and 15 cents of each additional dollar of Mexican income -- is spent on U.S. goods.

- NAFTA has focussed attention on critical infrastructure needs at the border; the US and Mexico are building bridges, improving crossing points, and upgrading border facilities.

- NAFTA-led growth will diminish pressure to emigrate to the US by creating new jobs and higher wages for Mexicans at home. One study projected 1.3 million fewer immigrants from NAFTA.

THE ADMINISTRATION WILL WORK CLOSELY WITH CONGRESS TO IMPLEMENT NAFTA SO THAT THE AMERICAN PEOPLE CAN BENEFIT AS SOON AS POSSIBLE

EXAMPLES OF NAFTA'S MARKET-OPENING PROVISIONS

TARIFFS: Approximately 65 percent of U.S. industrial and agricultural exports to Mexico, will be eligible for duty-free treatment either immediately or within five years. Mexico's tariffs currently average 10 percent, which is two-and-a-half times the average U.S. tariff.

FINANCIAL SERVICES: Mexico's closed financial services markets will be opened and U.S. banks and securities firms will be allowed to establish wholly owned subsidiaries. Existing restrictions, including limits on foreign market share, will be eliminated by January 1, 2000, giving U.S. banks and securities firms the opportunity to compete with local firms.

INSURANCE: U.S. insurance firms will gain major new opportunities in the Mexican market: firms with existing joint ventures will be permitted to obtain 100-percent ownership by 1996 and new entrants to the market can obtain a majority stake in Mexican firms by 1998. By the year 2000, all equity and market share restrictions will be eliminated, opening up completely what is now a $3.5 billion market.

TELECOMMUNICATIONS: NAFTA opens Mexico's $6 billion telecommunications services and equipment market. It gives U.S. providers of voice mail or packet-switched services nondiscriminatory access to the Mexican public telephone network and eliminates all investment restrictions by July 1995.

TRUCKING: More than 90 percent of U.S. trade with Mexico is shipped by land, yet U.S. truckers have been denied the right to carry cargo in Mexico or to own warehouses. With NAFTA, U.S. truckers will no longer be forced to "hand off" trailers to Mexican drivers and return home empty. NAFTA will permit U.S. trucking companies to carry international cargo to the Mexican states contiguous to the U.S. by 1995, and gives them cross-border access to all of Mexico by the end of 1999.

MOTOR VEHICLES AND AUTO PARTS TARIFFS: U.S. autos and light trucks will enjoy greater access to Mexico, which has the fastest-growing auto market in the world. With NAFTA, Mexican tariffs on vehicles and light trucks will be cut in half immediately. Within five years, duties on three-quarters of U.S. parts exports to Mexico will be eliminated and Mexican "trade balancing" and "local content requirements" will be phased out over ten years.

AUTO RULE OF ORIGIN: Only vehicles with substantial North American parts and labor content will benefit from tariff cuts under NAFTA's strict rule of origin. NAFTA will require that autos contain 62.5 percent North American content, considerably more than the 50 percent content requirement of the U.S.-Canada Free Trade Agreement. NAFTA contains tracing requirements so

that individual parts can be identified to determine the content of major components and sub-assemblies, e.g. engines.

TEXTILES AND APPAREL: Barriers to trade on $250 million of U.S. exports of textiles and apparel to Mexico will be eliminated immediately and another $700 million will be freed from restriction within 6 years under NAFTA. All North American trade restrictions will be eliminated within ten years, and tough rules of origin will ensure that the benefits of trade liberalization accrue to North American producers.

AGRICULTURE: Mexico imported $3 billion in U.S. agricultural goods last year, making it our third-largest market. NAFTA will immediately eliminate import licenses, which were required on 25 percent on U.S. agricultural exports last year and will phase out Mexican tariffs.

ENERGY: NAFTA provides increased access for U.S. firms to Mexico's electricity, petrochemical, gas, and energy services and equipment markets.

INTELLECTUAL PROPERTY RIGHTS: NAFTA provide a higher level of protection than that in any other bilateral or multilateral agreement. U.S. high technology, entertainment, and consumer goods producers that rely on protection for their patents, copyrights, and trademarks will all realize substantial gains under NAFTA. For example, NAFTA will limit compulsory licensing, resolving an important concern with Canada.

INVESTMENT: Mexican "domestic content" rules will be eliminated, permitting additional sourcing of U.S. inputs and, for the first time, U.S. companies operating in Mexico will receive the same treatment as Mexican-owned firms. Mexico has agreed to drop its export performance requirements, which presently force firms to export as a condition of being allowed to invest.

A quick reference aid on US foreign policy

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US-Mexico Relations

US-Mexico Cooperation and NAFTA

The US-Mexican partnership is based on a deep mutual respect for the forces of democracy and free markets. President Bush and Mexican President Carlos Salinas have deepened the bilateral relationship through numerous initiatives and extensive cooperation on a wide range of issues. When the two Presidents met in 1990, President Bush said, "[L]et us begin this new century not simply as neighbors, but as friends," while President Salinas has stated that US-Mexico relations are on the brink of a "new era."

Mexico's dramatic market-based economic reforms, which began in the early 1980s, laid the foundations upon which this new era could be built. Presidents Bush and Salinas seized the opportunity to cement an enduring and mutually beneficial US-Mexico relationship when they announced in June 1990 their intention to negotiate a North American Free Trade Agreement (NAFTA).

They had a vision that, by breaking down the economic barriers throughout the continent, NAFTA would not only create opportunities for US economic growth but serve as a basis for enhancing ongoing US-Mexico cooperation on a host of issues. As the two countries enter the 21st century, cooperation on issues such as migration, environmental pollution, and narcotics control—which do not respect national borders—is of critical importance.

US-Mexico cooperation already is at historic levels. Among other efforts, the two countries have reinvigorated the Binational Commission whose working groups meet regularly at the ministerial level to enhance cooperation on such issues as agriculture, culture, environment, labor, migration, narcotics control, and legal matters. The US-Mexican Binational Committee on Bridges and Border Crossings facilitates legal traffic across the 2,000-mile border—the busiest border in the world. State and local governments along the border also cooperate extensively on tourism, education, and other concerns. As Mexico continues to implement political and economic reforms based upon democratic and free enterprise principles, the relationship will improve even more.

Growing Economic Ties and Economic Reform in Mexico

Supporting and encouraging market-based economic liberalization in Mexico is in the US interest. This liberalization, which NAFTA will enshrine and expand, has led directly to Mexico's economic growth and, consequently, to enhanced opportunities for US exports and investment.

As the Mexican economy has grown (13.1% since 1987), so have US exports. Since 1987, US exports to Mexico have more than tripled to a projected $44 billion in 1992. Mexico has become America's third largest trading partner and the fastest-growing US export market. Mexico recently overtook Japan as America's second largest export market for manufactured goods. The United States now sells more per capita to Mexicans ($350) than to far wealthier members of the European Community ($266).

The United States can expect that further Mexican economic growth will translate into US gains through increased demand for imports. For every $1 of income growth, Mexicans spend 14 cents on US products, and Mexico purchases 70% of its imports from the United States. Given the increasing importance of international markets in today's economy, encouraging economic growth in a market open to US exports helps ensure continued US prosperity.

Mexico's moves toward a market economy in the 1980s and 1990s has been key to the growth in US-Mexico economic ties. Mexico has rejected its traditional economic policies, which had restricted imports and investment and had sealed off its economy from competition.

Mexico has reduced trade barriers, privatized more than 900 state enterprises, denationalized the banking industry, and deregulated many sectors of the economy. In 1986, Mexico joined the General Agreement on Tariffs and Trade. Under President Salinas' leadership, the economic reform program has been accelerated with considerable results: Mexico has low inflation; a stable, market-based, and fully convertible currency; a dramatically improved investment climate; and a bold plan for agricultural reform. NAFTA will lock in this progress and further reduce Mexico's trade barriers, encouraging growth in both countries.

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Democratic Reform in Mexico

Mexico's political reforms reflect and underpin the country's economic transformation. Opposition parties and non-governmental interest groups have achieved expanded access to the political process, while Mexico's two most recent elections, in August 1991 and July 1992, were the fairest in its history.

The Salinas Administration has attacked long-standing corruption problems, dismissing several high-level officials and more than 600 government employees. To improve human rights performance, the government established the National Commission on Human Rights in 1990 and initiated a 12-point plan to ensure that the Mexican police respect the human rights of detainees. The commission is investigating and correcting abuses, resolving controversial cases, reducing official impunity for abuse of power, and earning considerable foreign and domestic respect for doing so.

Mexican Foreign Relations

The new era of US-Mexico relations has achieved closer cooperation on key foreign policy issues. Mexico already has made a significant contribution to ending civil strife in Central America, a major US foreign policy goal. As one of the countries leading efforts toward peace in Central America, Mexico helped persuade the rebel forces and Government in El Salvador to demobilize and end their war. Similarly, Mexico has played a constructive role in encouraging the end to armed conflict in Guatemala. Overall, like the United States, Mexico has been an important voice in supporting the growth of democracy and free market reform throughout Latin America and the Caribbean.

Environment

For more than 100 years, the United States and Mexico have been cooperating on joint environmental problems. Since 1889, the bilateral International Boundary and Water Commission, has addressed boundary and water problems. Recently, growing populations and industries along the border began posing environmental, economic, and infrastructure challenges to both countries. In response, the two governments signed the 1983 La Paz Border Environment Agreement, which established a program for environmental coordination to address problems with air and water pollution, hazardous waste, and environmental enforcement.

Building upon this agreement, ~~Presidents Bush and Salinas released~~ in 1992 an Integrated Border Environmental Plan to deal with border pollution problems. Mexico has committed $460 million to environmental infrastructure projects along the border over the next 3 years. The Bush Administration has requested $241 million in FY 1993 alone to support border environmental projects.

Immigration and Law Enforcement

Millions of border crossings and increasing population in the border areas pose problems for US and Mexican immigration and law enforcement officials. To address these problems, the Mexican Government created a special police force known as *Grupo Beta* that has reduced violence by alien smugglers and others and more effectively monitored border traffic. In 1991, Mexican officials apprehended 133,300 third-country nationals (up from 13,000 in 1988), the majority of whom were headed to the United States, thereby saving the US millions of dollars in detention costs.

To deter illegal entry to the United States, the US Immigration and ~~Naturalization Service (INS) has~~ upgraded fencing in certain border areas. INS is deploying more than 300 additional Border Patrol agents, most of them along the border with Mexico. It also is improving cooperation with the *Grupo Beta*.

Continued Mexican economic growth, enhanced by free trade with the US, will increase job opportunities in Mexico, thereby reducing over time the pressures for illegal immigration to the US. The Commission for the Study of International Migration and Cooperative Economic Development reported to the Congress and President in 1990 that economic growth in the home countries of migrants is the single most important long-term remedy to the problem of unauthorized migration to the United States. In the interim, however, humane law enforcement is key to US-Mexican cooperation.

Anti-Narcotics Cooperation

President Salinas shares the US Government's deep concern over illegal drugs and has supported enhanced bilateral cooperation to stem their spread to North America. Mexico has become a leader in promoting regional cooperation to stop drug-trafficking. It also has played a key role in an anti-narcotics effort of the Organization of American States.

The Salinas Administration has increased resources devoted to the war on drugs from $37 million in 1989 to $77 million in 1991. It has eradicated one-third of the 1991 estimated marijuana crop and two-thirds of the opium poppy crop. Mexico has reformed its legal system to make money-laundering and other drug-related financial activity crimes and is undertaking a vigorous asset seizure program. The government also has broadened drug treatment, education, and prevention programs to reach its young people.

US-Mexico anti-narcotics cooperation has reached unprecedented levels in policy coordination and operations. The US-Mexico Mixed Permanent Commission reviews cooperative efforts. The Mutual Legal Assistance Treaty enhances the capability of both governments to prosecute criminals operating on both sides of the border. The countries are preparing joint training teams to assist Central and South American nations in implementing drug education and treatment programs. The United States supplies helicopters and sophisticated aircraft to Mexico's rapid response force (Northern Border Response Force). ■