

**Public Citizen
NAFTA Conference Call
December 16, 2003**

Chris Slevin: Welcome to our teleconference at NAFTA at 10. My name is Chris Slevin. I am with Public Citizen Global Trade Watch. Thanks for joining us today. January 1, 2004 marks the 10th year of NAFTA's implementation.

And today we are joined by three of the – three leading voices on matters having to do with trade and globalization. In Ottawa is Maude Barlow. Maude is an author and the National Chairperson of the Capital Canadian, Canada's largest citizen watchdog group. Its web site is www.canadian.org. In Mexico City we have Carlos Heredia, an economist and a former Mexican congressman during NAPA years. And Carlos works on international trade and development with the Mexican Ingio (sp) Equipo (sp) Pueblo. Its web site is www.equipopueblo.org. And in Washington I am with Lori Wallach. Lori is the Director of Public Citizen's Global Trade Watch and the author of Whose Trade Organization, a Comprehensive Guide to the WTO, released next month by the New Press.

We'll hear statements from Lori, Maude and Carlos followed by a Q&A period for journalists. We ask that it is kept to journalists only just in the interest of time. And to mute yourself from this call so that others don't hear you typing or talking in the background, hit star 6. And then to unmute yourself, you know, during the Q&A period hit star 6 again. Okay, thanks.

Lori Wallach.

Lori Wallach: Well, good morning to everybody. I guess where I want to start is the NAFTA debate ten years ago. Now, with ten years of water under the bridge and some of the passions calmed, it's important to remember what a radical experiment NAFTA was and how it uniquely shifted the course of what was in the contents of trade agreements from the tradition of trade agreements focusing on the cutting of tariffs and the raising of quotas to suddenly NAFTA with its comprehensive 900 pages of rules selling one side called policies for the three NAFTA countries on an array of issues never before covered by international commercial agreement or, for that matter, never before attempted to have the convergence of three countries with such very different levels of development, service sector rules about who could earn what service and how it could be regulated, rules relating to investment, control of land, ownership of different assets, currency, rules about the inspection of food and other products, rules about domestic truck safety, environment, water quality rules, rules about intellectual property, what patent terms, copyrights. And along with all of these terms in the agreement each of the three countries is required to transform many of their domestic policies.

So as a condition for entering NAFTA Mexico was required to change the constitutional terms of land reform for this revolution and to make it possible for foreigners to own land and, as well, for small peasant farmers, for campesinados, as a result to lose land that had been previously deeded to them couldn't be sold. Or Mexico had to change the burden of proving its criminal laws to criminalize under -- a NAFTA required copyright violations. The US had to change -- I mean these are just examples -- but domestic rules on food inspection. Prior to NAFTA all imported food from any country had to meet standards close or equal to US standards. After NAFTA from Mexico and Canada the term was shifted to equivalent and, as we have seen because we got sort of an information act on it, the Canadian and Mexican poultry and beef inspection plan, very different practices, some of them not as stringent for consumer safety are being practiced by both countries' industries. And under NAFTA the US is still required to invite anybody with a USDA sticker as a statute on the poultry inspection web page to conform with NAFTA. Canada was -- has been required to change a variety of laws which Maude will describe some of them as (inaudible) implementing NAFTA system, some of them after NAFTA ruling.

But the bottom line of all of that, which wasn't the focus during the height of the NAFTA debate, was that we were all promised as citizens in the three countries, that we would have a great positive transformation now. So we were promised a lot of very specific things in each of our countries. And I feel now, as I have been debating some of the 1992 and pre-precludence of NAFTA that we are in a bit of a shell game because rather than measuring the agreement vis a vis either the status quo ante or, and that would be just a do no harm pass, or vis a vis the promises that were made, we are now hearing a variety of different subjects changing arguments and points. And I want to go back to the original promises because had they come true NAFTA would have been an enormous boom and we would all be cracking champagne and the people who criticized us ten years ago would have said, "Boy, am I glad I was wrong." But instead we have got the ten year record and it's pretty damn grim. And the reports fact sheets that are very heavily footnoted in public citizens release today announced a ten year record in agriculture in all three countries, US jobs and economy, insolvency and democracy, and Mexico's ten year record generally under NAFTA.

In those studies using government data we have shown the real life of NAFTA have been a losing proposition for the majority of people in the three countries. And people ask how did NAFTA -- so, fine, the data is there, the government has footnoted, et cetera, how did NAFTA connect it. And I just wanted to touch on a few of the very specific things and in Q&A we can go into more of the other subjects.

But just take agriculture. That's been a big factor in NAFTA. NAFTA's agriculture rules require the following sects: that all countries immediately get rid of quotas, quantitative restrictions that limits imports of agriculture products and they had to turn them into tariffs, called tariffication. And so if you had very limited import allowance, very limited quota, you would end up with a 200 percent tariff. But then those tariffs had to be phased out in zero to 15 years. Meanwhile, though, while writing domestic programs such as price, floor guarantees, domestic subsidies for fuel, input, subsidized loans for small farmers had to be gotten rid of in the US Section 22, one of the small farm export credit – I am sorry, domestic credit subsidy programs similar in Mexico and Canada, allowed the domestic support program, particularly in the US, that, for instance, we see implemented shortly after NAFTA in the so called freedom farm bill was left in place.

So as a result you now had a new ability for grain trading companies, commodity companies and food processors to have a guaranteed ability to enter the three markets. For instance, prior to NAFTA Mexico didn't allow corn imports unless domestic production didn't meet domestic needs. US had under Section 22 program a list of commodities that we exported so much of that we didn't import any of which those programs had been gotten rid of. Newly the commodity companies trade in all the countries but at the same time in the US the different support and subsidy programs meant that even as the commodity companies could use the (inaudible) of the limits on import and trade in to flood markets with extra supply and bring down prices which is the feature that is common in all three NAFTA countries in agriculture, is the price paid to farmers in all three has declined tremendously.

While that result can be wrought, for instance when the Canadian wheat harvest came in, the wheat harvest in the US which had been bought off in a different mercs (sp) to be shifted to the Canadian market, NAFTA imports were allowed and bring down the prices. While prices had dropped tremendously for farmers in all three countries consumer food prices didn't necessarily go down. In fact, we have seen in all three countries they have gone up. How could that be? Again a specific NAFTA set of rules, rules on services and investments have allowed a tremendous consolidation in the three countries in the commerce and retail sector.

So that, for instance, is seen in Mexico a huge takeover of retail by the K-Mart (inaudible) et cetera so that in Mexico ten years after NAFTA some of the middle class small business and medium size business owners who have been part NAFTA's greatest boosters are part of a movement out of our zone of NAFTA opponents because they have been wiped out by the mega companies which retailers have also cut prices off. Meanwhile you have in the investment area a general privilege for shifting investments and moving to another country where foreign companies and investors and foreign service providers in NAFTA are literally given preference over how domestic companies

are treated. So what then is the outcome of that? And now for the last minute I am going to shift to the US after describing the framework under which my colleagues have described the results in their countries.

Let's just look at jobs. The promise was very clear. You use the formula that transforms the number of net export surplus hours into jobs, US workers were promised that in each of NAFTA's first ten years you would get 170 thousand jobs. This was premised on NAFTA increasing the trade surplus with Mexico and lowering pre-NAFTA existing trade deficit to Canada. Further, a variety of companies promised to fit in job creation if NAFTA was established.

I refer people to the National Association of Manufacturers, 1992 Beckbower (sp), NAFTA, we have got to have it, where over 150 US companies said specifically where they would create how many jobs. Now ten years later, what's happened? Instead of the surplus we were supposed to have we have a new deficit. Before NAFTA there was a one point (inaudible) trade surplus with Mexico. Now the US runs on averages 37 billion annual deficits with Mexico.

The deficit with Canada is five times larger. And, interestingly, when this is raised with NAFTA supporters particularly in the context of Mexico we hear well, it has nothing to do with NAFTA that was the peso crash of '95. You know, that's a funny thing, peso crash and all. The US went from a surplus to a deficit under NAFTA rules but the European union, Japan, they still have large and, in fact, (inaudible) Mexico growing trade surpluses, peso crash and all. Plus a share of the NAFTA factor deficit within the overall US trade deficit have increased vis a vis the US deficit or in the case of Mexico slight surplus pre-NAFTA.

What's happened job wise? Well if you plug the actual data – trade data into the formulas used to protect the 170 thousand jobs created, which by the way was a goofy formula back then and it is still a goofy formula, you come out with something like six million US jobs lost. Now, that's not what we are claiming, but just to sort of show what happened when you put the real live data into the old predictions formula. What the government data does show is the US has lost just short of three million manufacturing jobs in the ten years of NAFTA and the nine years of WTO. And specifically under a program that was cancelled last year, in the first nine years of NAFTA under one narrow program called NAFTA Trade Adjustment System, under which only a relatively small subset of potential NAFTA victims could qualify, there are 525 thousand specific US workers who are certified as NAFTA casualties.

Now you look at that database, so you look at the trade flows and you say, all right, who are those people and what exactly happened? And what you see is an insidious shift in exactly the lose lose that

we were afraid of where you have, for instance, the new import coming from NAFTA (inaudible) being the T-shirts, the low end things US workers were promised, number one gross areas computers, number two gross areas autos and auto parts.

Then we will hear from Carlos and you say all right, what does Mexico have to gain out of this? But if you look actually at the trend of investments, the wage levels in Mexico for that shift, you see that while US workers – manufacturing workers lost their high wage providing jobs in that sector, Mexican workers didn't gain from that shift either. Instead what you see in the US is a dramatic shift in the composition of the job market. And that, by the way, is the bottom line of the biggest outcome affect of NAFTA and the WTO in the ten years of the corporate globalization policy those agreements have implemented is a shift. But of 75 percent of Americans who have a college degree there has been a dramatic shift from employment in the manufacturing sector to services where wages are lower as shown from government data and benefits are less typical.

So what overall happened? US real wages despite the unquestioning growth in the '90s are still below 1972 levels. And inequality – income inequality in the US has skyrocketed. Using the data on income and equality attributed to trade by organizations like the pro-NAFTA Institute for International Economics, you take their data on how trade globalization has increased income inequality and you apply it to the median wage of US workers with a college degree and in this decade those workers, if you apply again pro-NAFTA statistics, will have lost up to three thousand dollars in potential income thanks to trade globalization. So the bottom line of all of this, of course, is that in the US trade issues become incredibly political. It's a high profile issue in the democrat primaries. And now that the news is coming out, the next race to the bottom is the service sector, professional and high tech jobs. A lot of Americans is asking the same question a lot of Mexicans are asking and a lot of Canadians are asking which is: what kind of job, what kind of economy, what kind of future for our country?

And with that I would like to turn the baton over to my colleague from Canada, Maude Barlow to talk about their specific experience.

Maude Barlow: Thank you very much, Lori. And thank you everyone for being on this call. We really appreciate it.

I will just make three brief points. There is so many but three I want to start off with any way. And the first is that we were told that NAFTA and the Kennedy West Free Trade Agreement that preceded it were what Brian – former prime minister Brian Mulroney called The Shower, Cold Shower that Canada needed to take us from a so-called puddle welfare state to something much more ready to be competitive in the international sphere. And

so we lowered – dramatically lowered social spending in the years from actually starting a little earlier than NAFTA, in the late '80s, but because with NAFTA coming up and with the Kennedy West Free Trade Agreement but dramatically through the 1990s. And we have lowered social spending so much that we have moved from being first in the world in the United Nations Human Development Index to number eight last year.

I will just give you a few statistics. To go – to find anything as dramatic in the cuts to social spending and the cuts to corporate taxes you would have to go about six decades back in Canada's history. And three target groups have been hit the worst: the unemployed, low-income earners and the elderly. In just the last five years, for instance, spending on the elderly through our Old Age Security and our Pension Plan for pensioners has dropped as a share of our gross domestic product to 4.6 percent from 5.2. In fact in the late 1990s Standards in Poor said that Canada now provides fewer programs to its elderly and unemployed in the US and it's pretty well time we stopped thinking that we are a kind of kinder and gentler nation.

In fact in the years, and this is a very important statistic, this is a recent study from Canada's Labor Market and Social Policy – I can give you any of these that you want – confirm that Canada is now spending just 18.9 percent of GDP on social programs, 15 percent less than a decade ago. And I will give you a comparison to the US. In that same decade on all non-defense program spending including all social spending Canada has gone from – no, the gap between our countries has gone from 15.2 percent to 5.7 percent. In other words, we used to – we used to spend a great deal more of our GDP on social spending than the US but now that gap has dramatically narrowed.

So this leads me to the second point I want to make which is, of course, we have experienced a transformation of our society. Our country used to kind of look like an egg with a small group of wealthy at the top and a small group of poor. But that's very, very dramatically changed. We have now created an entrenched underclass. We have had the highest rise in childhood – child poverty in the industrialized world, a dramatic increase in the use of food banks. For working people, and this is partly what Lori was saying has happened absolutely here, between 1989 and 2002 we have created fewer than half as many full time jobs than during the previous 13 years. But more importantly, the quality of jobs declined in those same years. The real median hourly wages for blue-collar workers fell as much as 11 percent in some important categories. We have also seen the privatization and deunionization of the work force. And more and more Canadians have become precarious workers, part-time, self-employed, no security, no pensions, no benefits.

A very important recent study called In Rags and Riches Inequality in Canada we found that the gap between rich and poor in Canada in relative terms rivals anything that is seen in the third world. And this is

all developed in the last decade to 14 years. The wealthiest ten percent of family units in Canada now hold 53 percent of the personal wealth. The top 50 percent control an almost unbelievable 94.4 percent of the wealth, which leaves only 5.6 percent to be shared among the bottom 50 percent. And, of course, this has not been so for corporate Canada. In the 1990s we tripled the number of millionaires. Corporate salaries grew at an average rate of about 15 percent. In fact, Chief Executive Officers continue to make exorbitant amounts of money regardless of the performance of their companies. So – and we can give – you know, there's lots of stats on that. A recent study found that CEOs of Canada's hundred largest firms reaped 10.4 percent increase in salary not including bonuses, way over anything working people are earning.

And the third transformation is the transformation back to a very high level of foreign ownership in all of our industries, which is something that created a backlash, which created protection, a certain amount of protection from within Canada which is – which is partly what fueled the NAFTA in the first place. And we are finding that under the proportional sharing agreement of the – both Canada-US Free Trade Agreement and then NAFTA, we are required now to continue to export the same amount of gas and oil that we have been exporting and we cannot turn down any request for export of our energy to the US. As we increase the amount we are not allowed to decrease it. We are not allowed to place export tax on it. We are not allowed to place a two-price system.

Basically our energy has become North American energy. And we have lost sovereign control over it. We – when we were first entering into the NAFTA with the United States we were exporting 25 percent of our natural gas production, it's now over 60 percent. And we are obliged to maintain it at that level. And at the rate we are going within another decade we will probably be shipping about 80 percent of our natural gas to the US. We can only cut back ourselves before we start to run out and then it has to be proportional – or, sorry, we can only cut back to the US what we cut back to ourselves and then it has to be proportional. And we have to continue to search for new energy supplies potmarking our northern communities in Alberta and so on looking for new supplies of this energy.

And you should know that although this isn't directly NAFTA related, we were forced two years ago now to abandon the Auto Pact which was a managed trade agreement between Canada and the US which said that if Americans wanted to sell their cars here they had to create employment here. It created a very vibrant auto sector industry. Well now we have been forced to abandon that. In 2001 we were the world's fourth largest producer of cars. Three years later we are down to seventh place. We have lost many thousands of jobs.

So we are moving back to finding very high levels of foreign ownership right across the board in our – in our forestry sector and so on. And we are deeply concerned that as we enter the next phase of this free trade agreement which is the free trade of the Americans, with the inclusion of services, that we are going to see the same kind of takeover foreign ownership in our service sector from health care to education and so on.

And I know I said just three but I do want to add that we have also been stung very, very badly by this Chapter 11 provision whereby corporations that are non-signatories to NAFTA have the right to sue governments of another country if that government brings in any new legislation or changes current legislation in a way that they can demonstrate it hurts their bottom line. And we can demonstrate where we have actually backed off bringing in legislation or reverse legislation that was environmentally or for health reasons what Canadians wanted.

So we feel this in a dramatic race to the bottom on a social infrastructure we have lost a lot of control of our – head offices have moved south. We have far fewer shareholders – Canadian shareholders on – in – sitting on corporate boards now. There was a massive exodus to the US and the promised quality of jobs has not emerged and we find ourselves a much – a much more divided nation ten years into NAFTA. Lori.

Chris Slevin: Thank you, Maude. We will now hear from Carlos Heredia.

Carlos Heredia: Buenos dias. Good morning, everyone. I am happy to be part of this conversation. Let me make three points on the affect that NAFTA has had in Mexico. The first one is going to be on how – to answer the question, how degraded is the Mexican economy itself? The second question is going to be what is the outcome of the cross border alliances we have had with colleagues in the United States and Canada? And the third question is what's ahead? I am sure we are going to revisit these questions in the Q&A time.

But, anyway, let me just put a few ideas on the table. First of all, I want to say that a large number of Mexicans believe that the sacrifices on NAFTA over the last ten years have exceeded by in large the benefits and that the benefits have concentrated only in a handful of people who were naturally the promoters of NAFTA and that is to say the multinationals, the government democrats, and the large proportion of Mexicans who believe that the sacrifices have exceeded the benefits are right. I mean that – it is a fact simply because the Mexican economy has not grown over the last ten years on per capita basis.

That is, population growth and economic growth are having more or less the same. We were promised that NAFTA would create jobs

in Mexico so that Mexicans wouldn't have to migrate northward toward the United States to look for economic opportunities across the border. And the fact of the matter is that migration to the United States over the last ten years has increased year over year and now about 400 thousand Mexicans look for work and try to stay in the United States because there is no work in Mexico, the inequalities, the disparities, the symmetries have already existed in terms of income, in terms of wages. Real wages in Mexico are even lower in 2003 than they were in 1993. So the – the word that we can use is that NAFTA has made the gap greater, economies have grown apart rather than converging to a standard – the standard that you find in the United States and Canada although I do pay attention to what Maude has stated about the rate at the bottom and the degradation of social standards in Canada and in the United States as well.

And we – we have an economy that is totally dependent of the business cycle in the United States and an economy that is not integrated inside Mexico. The States along the border from Baja, California to (inaudible), from San Diego to Brownsville, Texas have adjusted their economy to the needs and cycles of the United States. And when people talk about the benefits of NAFTA in Mexico, they are really talking about the benefits for US multinational established in Mexico.

I was in a debate with Carla Hills in Buenos Aires, Argentina a few months ago and she told me, well, you know, NAFTA has been great for Mexicans. And I told her, excuse me? NAFTA has been great for you multinational established in Mexico that are registered in the national accounts of Mexico as Mexican output. But it's intrafirm trade. It's trade between a multinational establishment in Mexico and its headquarters in Detroit or somewhere else in the United States. So I want to make that point clear, that the bulk of the benefits have gone to multinational established in Mexico, not to Mexican workers, not to the Mexican people in general. Working people and the poor have paid a high price for trade liberalization while benefits have been extremely concentrated.

And the second point I want to make is that sometimes we see NAFTA putting one country against the other and Mexico competing with the United States or with Canada. But the reality we have learned over the last ten years and during the NAFTA negotiations is that sometimes I can find more common ground with workers in the United States and workers in Canada than with government officials or executives, multinationals in Mexico. That is, we have identified common ground, we have identified common interests across the border that go more along the lines of what we do, where you work, how you make a living rather than nationality or citizenship. And we have also identified the area that have been left aside of economic integration. We were pushing for higher labor standards, for better care of environment ten years ago. Those areas were left outside of the agreement. We were pushing for integration. And right now in Mexico we have

a situation in which people do not see trade liberalization. People do not see economic integration as a means to increasing standard of living.

In fact, the Mexican government itself has announced that it will start embarking upon further negotiations for new trade agreement. The government has announced that it will continue to participate in the free trade agreement of the Americas conversations and in the trade agreement with Japan but it will not pursue trade agreements with countries of Asia, like Korea or like Australia – or countries like Australia and New Zealand because it wants to evaluate – it wants to assess what the impact of the ten years of NAFTA has been.

Now, what's – what's ahead? That's my – the third idea I want to put on the table. There is a word that the Europeans have long used to describe how the process of economic, social and political integration can bring a country upward in a process of harmonization, and that word is cohesion. Cohesion means how your different regions, north and south, your different areas for the economic activity, both the sectors that cater to the domestic market and the exporting sector can be brought together so as to improve the standard of living for the majority of the people and to make sure that these policies will have popular support. That has not been the case in Mexico. We are a disintegrated economy and people are very skeptical that anything related to trade liberalization will bring them more jobs and more (inaudible). That has not been the case over the last ten years.

Finally I would like to – to make a point regarding what Mexicans expect of our future because there is a lot of pressure from the outside telling us when the next step is that you should sell your own country -- the foreign multinationals, you should sell your power company to foreign multinationals because that's the only way that further investment will flow to Mexico and create more jobs. And people are also very skeptical of that because they have heard that story and it has not materialized in benefits for the majority of Mexicans but only for a handful of people. So I will stop here and take questions.

Chris Slevin: Thank you, Carlos. We will now open it up for questions from journalists. We ask you to give your name and your publication and also if it is specific to one of our three speakers, please, you know, direct it to one of them.

Lisa Adams: (inaudible).

Chris Slevin: Yes.

Lisa Adams: This is Lisa Adams from Associated Press in Mexico City. One of the things I wanted to ask specifically about Mexico is that some

people have said despite all of the drawbacks that one area in which it has benefited Mexico is the auto industry, that not only has it created thousands of jobs, it also has created a sort of middle class when you think of the higher wages and passed on some invaluable technological skills. So I am wondering in that context is there nothing good that has come of NAFTA either in Mexico, the US or Canada as far as the (inaudible) concerns?

Maude Barlow: Carlos, you should start with Mexico.

Carlos Heredia: Yes. I am sorry, I didn't hear the identity of the person asking the question.

Chris Slevin: It was Lisa Adams from Associated Press in Mexico City.

Carlos Heredia: Yes, Lisa. Of course there are benefits of – of the agreement and I have discussed that. They have been concentrated in – in a handful of people including the auto industry. Our point has been that NAFTA was sold in Mexico on the basis of extending prosperity for all and creating a larger market. We have not created a larger market. What we have done is we have delivered the national resources of our country to the multinationals without really doing our own job of fostering a larger market in Mexico. I have to say that while we had the agreement here in these ten years we did not make much progress in terms of educating our people.

We did not make much progress in terms of our health systems. So the ability of the Mexican people to grasp any benefits of – of trade expansion has been minimal. I would like to say also that the agreement was conceived as a sucking sound, not of jobs going to the south but of the benefits being concentrated in a – in a handful of companies. So that is how the agreement was conceived. That is how it was designed and it has worked on that rationale so if you ask them, the people that signed the agreement, the people that conceived the agreement how it has worked for them, yes, it has worked fantastically for them. It has not worked for our country and it has not worked for our people. So I have to stress, I have to unemphasize and underline that distinction.

Maude Barlow: And it's Maude here in Canada. I would add to that that what we lost both through NAFTA and the WTO is the ability to – to have a managed trade agreement like the Auto Pact which was a win win, by the way, that was – Canada didn't produce its own cars. We imported the big three from the United States and the agreement was, and this was signed in 1965, that if you are going to sell your cars here tariff free you have to come over and assemble a certain number of them here so that you create jobs. And it – so the auto – the auto industry became Canada – accounted for nearly a quarter of Canada's exports.

Now that is dramatically dropping now because we were forced to end the Auto Pact and in ending the Auto Pact it – this is the kind of agreement that companies can make with corporations from other places which is basically if you are going to make money here you also have to give something back. And that is one of the deeper underlying realities of these trade agreements. The essence of these trade agreements is that you remove those kinds of government controls that dictate both the foreign investment and – and the trade in goods and services, that there will be a benefit that they have to bring back. If they decide that it is cheaper now to move out of Mexico to go somewhere else there is no protection even for those new jobs that have been created in Mexico. And, as you know, many, many of the Makiladora (sp) jobs have now disappeared and gone off shore to – to China and other places. So either – there is nothing permanent about what might seem like good jobs. These companies have the right to move where they want now.

Lori Wallach: I wanted to jump in -- this is Lori – because I have been asked by US autoworkers and by their unions to train, to do discussions about what happened with the auto sector in NAFTA. And a common question I get from US autoworkers who's lost a 20, 25 dollar an hour job with Dynaset (sp) and hears about how a worker in Mexico is going to be paid five, eight, ten dollars a day to do that job, folks in the US workers say I am totally depressed. I have got a job with no benefits, now working two part-time service jobs but, please, tell me at least someone in Mexico has gotten out of serious poverty thanks to that job, that investment.

And if you crunch the data and you look at NAFTA's particular investment rules, the sad story is a lose lose because under NAFTA's specific rules about investment, in fact Mexico was forbidden to implement the kind of policy that would have led to technology transfer, that would have led to integration of the Mexican industrial sector to, for instance, create parts, create infrastructure and build a national industry, if you will, by harnessing the foreign investment. For instance, NAFTA Chapter 11 explicitly forbids all (inaudible) performance requirements. Those are the terms that existed in Mexican law and basically every country's law prior to structure adjustment under the IMS or joining the agreement like the WTO or NAFTA, that condition harness foreign investment also to suit other goals. So, for instance, you had to export back out of domestic markets extra 10 productions.

You had to ensure balance of payment. You had to transfer certain technologies. If you wanted to build a plant you also had to build an electronics facility to make the parts that would create the plant. You had to have 30 percent input of domestic content. All of those kinds of development policies which the Asian tigers use, for instance, to harness foreign investments and make export lead growth develop their domestic economy were explicitly forbidden under NAFTA. So, for instance, if you crunch the numbers you see

this huge increase in investment in the auto sector connect going to NAFTA and a large increase in export.

So you think, okay, somebody in Mexico must benefiting. Except here is the gruesome truth. Those increased exports came out of the McEwan (sp) (inaudible) on average there is three percent Mexican input compound into those automobiles, three percent. That's the government data, that's not the union data. So what it meant is, and this is again government data, about 60 percent of (inaudible) is US export to Mexico actually parts, parts to create the plant but also parts to assemble in the factory. The US worker sees the hiring job going to someone who is not making a minimum wage in Mexico, it was five dollars a day the average manufacturing wage which, as Carlos mentioned, is now down.

The government data shows it hovering at just four dollars a day to the average manufacturing ways. You look and see what exactly was Mexico's value in this. And it was those wages. It wasn't technology. It wasn't development. And what of those exports? Those exports are pieces that were assembled, again 60 percent of the US exports were parts that never entered the Mexican economy, any input wasn't Mexican parts. And so as Maude mentioned now as Mexico's four dollars a day seems relatively expensive vis a vis (inaudible) one dollar a day outflow of foreign investments and the 900 thousand McEwan Dora (sp) jobs that the Mexican government data shows us created under NAFTA 480 thousand of them, Mexican government data has them set. I mean for Asia there is nothing left. And during that period when they were there who benefited? Basically the managers and CEOs. But, no, there was no creation of – we have a middle class of unionized industrial workers who actually took those jobs, that's the tragedy on how we had a lose lose lose.

Tim Weiner: Hello, good morning. This is Tim Weiner in Mexico City from the New York Times. How are you all? So this is slightly a long winded question forgive me. And it's, again, to all three of you. First part is: Can each of you for each of your countries name, and name names, okay, a big corporate winner in NAFTA and explain how this corporate winner used or exploited the new rules of NAFTA to make money. That's part one. Part two is: Do you – we all see the advent of Chinese labor and Chinese work and corporate manufacturing changing the landscape dramatically in the last three years and do you think the advent of China into this global market place has kind of swamped what benefits and losses NAFTA created on its own, changed the picture dramatically?

Maude Barlow: It's Maude. Should I start?

Tim Weiner: Yes. Sure.

Maude Barlow: Okay. That – lot's of corporations come to mind but my favorite story will be one to do with this Chapter 11 provision of NAFTA that will allow corporations to sue. There is –

Tim Weiner: Can I – can I interrupt?

Maude Barlow: Yeah.

Tim Weiner: And can we – I think Chapter 11 is very interesting but it is a separate –

Maude Barlow: Okay.

Tim Weiner: -- issue for me.

Speaker: I would like to hear her answer that part of the question.

Tim Weiner: Okay.

Maude Barlow: Well only because it is about a corporation winning something. I thought – any way, I will tell this and if that's not what you want I can give you something else.

Tim Weiner: Sure, go ahead.

Maude Barlow: But – we banned the trade – the cross border trade of an item called MNP which is an additive to gasoline which replace lead when lead was banned which has been banned in California and a number of other countries – a number of other States and banned in Europe. In 1997 the Canadian government banned it. Our then prime minister Jean Chretien called it a dangerous neurotoxin, particularly dangerous to children, linked to ADD and some other serious childhood diseases.

Now, had that been a Canadian company that was manufacturing this product it would have been the end of the story. However, it is an American company called Ethol and Ethol was allowed under these rules to challenge the government of Canada, sue the Canadian government for 20 – no, no, sue for a couple hundred million dollars, US. The Canadian government backed off, reversed the legislation and we now have MNP in all our gasoline, gave Ethol a letter apologizing for anything that was said negatively including in the House of Commons about this company and gave them 19 million dollars in compensation for the year in which it had – their product was banned from – from gasoline in Canada. Now there is a company that took the rules of – of NAFTA and used it to a personal gain. They are actually still using that letter that

Canada gave them totting their product around the world. That would be one very clear example of – of corporate use of NAFTA rules.

Lori Wallach: Carlos?

Carlos Heredia: Yeah. Well I would think the big three, I would single out the big three in the automobile industry if only because the whole design of NAFTA and its rules were established in such a way that they can produce in Mexico and export to the US market using the rule for – the rules of origin that are signed in NAFTA in a very agile way. So, as you know, most of the automobile production in Mexico is not sold in the domestic market but is exported to the United States. So that's General Motors, Ford, Chrysler. And they are, of course, making money out of this – out of this rules. And, as for China, that –

Tim Weiner: The rules you are referring to are what you mentioned earlier that allow – if I am GM and I send unassembled parts to Mexico, they are assembled here, the –

Carlos Heredia: That's right.

Tim Weiner: That's fine.

Carlos Heredia: Yes, yes.

Lori Wallach: They also count as a US export, ironically, when they go down there as well, the numbers are inflated.

Tim Weiner: Yeah, got it.

Carlos Heredia: And as for China, it's a very interesting question because a lot of people in Mexico are – are now blaming the Chinese for our economic slump and – because (inaudible) are leaving Mexico to go to Asia because they have lower labor costs. But – but, again, that's also a result of how the trade agreement was conceived and how – by the Mexican democrats and how they said we would be competitive because we have the lowest labor costs among the three countries. Right now the disparity of wages between Mexico and Canada is two to one or three to one bigger, higher wages in Mexico. Like an assembly line worker in Mexico makes –

Tim Weiner: You mean less in China, right?

Carlos Heredia: Yes, yes.

Tim Weiner: All right.

Carlos Heredia: That's right. Wages in Mexico are higher in China than by two to one or three to one ratio depending on the industry or the area of economic activity. An assembly line worker in Mexico makes about a dollar 40 an hour and an assembly line worker in China makes about 50 cents an hour. But we base our strategy of competitiveness on low wages and we are paying the price for that. We, again, have not educated our people and – and we have not created technology that suits the – the Mexican needs and we are paying the price for that. In fact, when Mexican producers say that the Chinese are – are inundating the market with Chinese imports they are not telling the truth. It's really the Mexican producers that are going to China, buying products in China and bringing them into Mexico to be sold in our domestic market displacing the local companies. So – so basically the – yes, China is swamping – there is a change in the picture dramatically if only because Timasarra (sp) our trade minister doing the negotiations was proud to say that we were very competitive because we have the lowest wages in the area and we are paying the price for that.

Tim Weiner: And, in affect, the area is now the whole world, not the hemisphere.

Carlos Heredia: Exactly.

Tim Weiner: Okay. Lori, any losers and winners?

Lori Wallach: I – I would personally nominate Archer, Daniels, Midland. They are –

Tim Weiner: They are my favorite.

Lori Wallach: There are many companies that could end up on that list but I think that Archer, Daniels is an example of how the large corporations who help set the NAFTA rules, ADM was one of the official corporate advisors during the negotiations, then benefit the law farmers and consumers of all countries. In – currently now ADM is one of three US companies that controls 80 percent of world corn trade, 80 percent.

Tim Weiner: The others are Cargo and?

Lori Wallach: It's a new – it's a new conglomeration that used to be kind of aggregate and it's now called something with an Asian name, which I will get for you in a second.

Tim Weiner: So it's Cargo and what used to be Conagra (sp)?

Lori Wallach: Yeah, but it's not called that any more. It's not – the trading division that does corn is not called that any more.

Tim Weiner: All right.

Lori Wallach: And actually in our fact sheets that Chris is going to send to everyone, the actual names, all the sources of this data list it.

So ADM has a large part of US corn trade. Now at the time of NAFTA, as I mentioned, all of these different prototypes had to be listed and as a result big, big companies like Cargill and Conagra and ADM move around huge shipments -- huge futures on shipments of grain and dump them into markets but they drive down the prices what's paid to farmer. So in ten years of NAFTA US corn farmers have seen a 39 percent decrease in the price paid them per bushel of corn so that now it's over a dollar below what it cost to produce each bushel that the US farmer is paid.

Now you then say, all right, the US farmers have gotten clobbered, the quotas are gone, the prices are down, what about Mexico? And, of course, that is part of the corn story everyone knows. Under NAFTA Mexico is required to lift its quota to tariffs. The Mexican government then voluntarily zeroed out those tariffs in three years instead of 15 so there is some volition in how quickly this happened. Suddenly US corn volume of imports goes through the ceiling. Now are these US farmers making money on this? No, they are losing a dollar a bushel on every export but the flood is going to Mexico means the volume has increased so drastically that the price in three and a half years of NAFTA of corn prices pays to Mexican farmers goes down 70 percent. And according to Mexican government data one and a half million found livelihoods and jobs in Mexico are eliminated in the first -- this data comes in the first seven years of NAFTA. So you say, all right --

Tim Weiner: Anybody have current figures on that?

Lori Wallach: That, believe it or not, is what the Mexican government has that is most current figure. And so the answer is no. And I have seen everything from 1.7 to 2.7 but I am not going to rely on those numbers because I haven't seen -- the data wasn't collected the same way as the original number set. So I think you just have to say by that point we know that many people were damaged and you can speculate what's happened because the volume has gone up.

Carlos Heredia: In fact, if I may just jump in for ten seconds. What Lori is saying is extremely important. It has been a complete wipe out of Mexico's small farmers and over a million and a half farm jobs have disappeared and those people are looking for work in the west.

Tim Weiner: Or on the border?

Lori Wallach: Now, you see that – you have got farmers on both ends screwed. But the Mexican farmers are going to the McEwen (sp) zone, which is how the wages have been dropped and, as Carlos said, the population shifts and the shifts within – in fact, sectoral employment has not kept up job creation, you have downward pressure on wages, there are desperate people who lost their livelihood in the farm sector are looking for jobs or the crazy US government data where you have a doubling in undocumented immigration from Mexico to the US under NAFTA.

Again, desperate people lost their livelihood. What happened to consumers? Because if you take the free trade theory all this pain and suffering theoretically is supposed to lead to overall national gains on the import end, on the consumer and the price end. So some particular sector might get clobbered but we are all eaters so if we are all going to eat we can buy butter cheaper. Well, you look at the data and in fact the price of Mexico staples or TM made from that corn up. In Mexico City it is up around 30 percent. In rural areas it is up even higher. And you say how could that happen? Well, let's look back at ADM. ADM acquired 29 percent, again using the investment rules in NAFTA, Agrooma (sp) which is the world's largest maker of corn tortillas and Mexico's largest producer of corn tortillas, Archer, Daniels, Midland has gotten 50 percent share of Mexican corn milling industry under NAFTA.

Now you see in Canada where farmers were told there would be more market access and more independent ability, basically, to compete with the US, the four main farming coop, which were Saskatchewan, Alberta, Manitoba and what was called the United Grain which was the other provinces, had now been merged into one thing called Agricory (sp) United of which, funny thing, Archer, Daniels, Midland bought half. Now ADM as a result now controls one-half of all wheat milling in Canada.

And again you look at consumer prices in Canada and this is in our NAFTA Pan-agriculture fact sheet, you can look again on the web and quickly send off an email, but you look at the share of wheat per loaf of bread and you see the price of bread going up while the price of wheat paid the farmer in Canada has gone way down. You look at the price that is paid US farmers in net, not just corn, is down significantly and you look at the Consumer Food Pricing Index for food eaten at home up. And then you look at ADM profits. So there is a lot of losers in that formula. There are a lot of losers. Where is the win?

Maude Barlow: Lori, I would just add one fact to that and then I do want to put in another bid for a competitive bad corporate sector. But we have lost 26 thousand farms – small and medium size farms in Canada since we became the good boy scouts and really did obey those laws to take down so many of our tariffs and our farms.

Lori Wallach: I was just going to close by saying –

Maude Barlow: Yeah.

Lori Wallach: Canada has lost 26 thousand farms. US has lost over 38 thousand small farms. And the Mexican government data, again, was already years ago 1.5 million small farms in Mexico. That's through the ceiling.

Maude Barlow: It's Maude. Could I just add in in terms of corporate winners, we had something in Canada called compulsory licensing. And this is where we – we had for our drug – companies that manufacture prescription drugs were given certain market rights but so were generic companies and they could pay a kind of royalty to the generic – or to the patent company after ten years which would allow their – their drugs to come to market.

Well in anticipation of NAFTA we brought in a Bill in 1993 called C91 which repealed compulsory licensing. It extended the monopoly protection for large American and other drug companies to 20 years. And we have seen a dramatic increase in prescription drug prices. They are going at about 21 percent a year in Canada. They have just – even though they are even a little cheaper than the US, which is some of this debate you have been hearing about, American seniors coming to Canada to get their drugs. They have just gone through the roof compared to the kind of controls we used to have and we've very much damaged our generic drug industry.

So the big winners have been American drug companies. And as you know from the many studies that have been released the drug industry in the United States is far and away one of the most profitable major industries in the US, it tops all three of the Fortune 500 measure of profitability and, of course, gave an enormous amount of money to George W. Bush in his presidential election.

Finlay Lewis: Well, Lori, Finlay Lewis, Copley News Service. You – you stressed some disdain for the formula that was used to calculate job gain, said it was a goofy formula. EPI estimates that under ten years of NAFTA the US economy has lost about 700 thousand plus jobs. Are you saying that that figure is suspect?

Lori Wallach: There is very different methodology. The figure that was used for the 170 thousand job created, we looked for the gross in export – actually trade surplus and looked for the net and then applied the multiplier that was actually based on old agriculture data that was for every net billion dollars exports, that would be 13 thousand US jobs created. They just took the USDA calculator that was ten years old and applied that to NAFTA, actually the total export and that would be probably because of the prediction that NAFTA would increase the trade surplus with Mexico, they then said the net trade surplus of X

billion dollars times 13 thousand multiplier, woo-hoo (sp), 170 thousand jobs a year. And so that was a very sort of brutal and not very thoughtful study on how to do it and then if you put them the 37 billion dollars net deficit in there you end up with that multiplier even adjusted down from the 13 thousand with, you know, six, seven billion – six, seven billion jobs a year. So that's why I said goofy. What EPI --

Finlay Lewis: I guess what I am trying to get at is – is what is your –

Lori Wallach: What EPI did was very different. I think that's a very cautious number. I think that is a very cautious, reasonable number in that dialogue because what they did, they went after in the trade (inaudible) data where there were – what the actual –

Finlay Lewis: What's going on here?

Speaker: Somebody has a phone on. Does anybody have their phone on? Maybe you can ask the operator if she can do something about this.

Carlos Heredia: I am going to have to excuse myself from the call right now.

Speaker: Okay.

Speaker: Oh, no, I wanted to ask a question.

Speaker: No, no. We are just going to check what that noise is.

Lori Wallach: Carlos?

Carlos Heredia: Yes.

Lori Wallach: Can you please give an email or phone number for the reporters who wanted to ask you a question?

Carlos Heredia: Yes, sure. The email address is carlosagrediaz@yahoo.com.

Lori Wallach: I will have Chris also send around an email follow up to everyone with that number as well.

Carlos Heredia: Okay. Thank you all.

Lori Wallach: Thank you, Carlos.

Carlos Heredia: Bye bye.

Warren Vieth: Can I ask a question in the meantime?

Lori Wallach: I am going to try to talk over that noise.

Warren Vieth: This is Warren Vieth from the Los Angeles Times. It looks like –

Lori Wallach: Warren, one second. I just want to finish answering Finlay's question.

Warren Vieth: Okay.

Lori Wallach: What EPI did, they looked at each sector where there was a major trade under NAFTA, put out each sector and added up the actual sector (inaudible) much, much more precise – that way they were able to take out (inaudible) oil.

Finlay Lewis: Yeah.

Lori Wallach: Trade balance is a lot of Mexican oil coming in but what does that mean? You can't count that the same way as agriculture?

Finlay Lewis: Yes.

Lori Wallach: There is a much more delicate way of doing it but I personally think (inaudible) cost us because they cut out some sectors that I think are important.

Finlay Lewis: I guess what I am trying to get at is what your estimate is. You know that the current realm of the debate ten years ago was jobs gained and now the debate is going to focus on whether NAFTA has been a success and the idem is going to be jobs gained, jobs lost. And whether that's orderly simplistic or not that's going to be the rhetoric the politicians are going to use. What is your sense of – of the job loss?

Lori Wallach: I think – I think no one but the most sort of foolhearty NAFTA defender is (inaudible). We know that NAFTA (inaudible) data base actually only the tip of the iceberg and you have half a million sort of data bases listed there. Meanwhile the Department of – everyone agrees that ain't half the picture because it limits so many of the particular workers that could have been hurt. Meanwhile the Department of Commerce cancelled its NAFTA creation tracking database in 1997 because at that point the NAFTA job lost database had hit 200 million and the NAFTA creation job database was six thousand. It definitely required a change in program, bye bye creations. But, for instance, if you ask which I have been doing because I have been trying to write reports that

shows the pros and the cons and then look at the net, if you go back to those companies who are in the MAN job creation promise pledge campaign, we interviewed them in stages every three or four years after NAFTA and not only didn't they create the jobs, these were the guys who were the most bullish on it, who really thought they could create jobs.

Not only did they not create the jobs but a lot of them are prominently listed on the NAFTA job lost database. So it is sort of like the – the search for the Holy Grail is the search for the NAFTA created job. And, in fact, if you look at the series (inaudible) there was a great quest to find a town, a sector, city, someone who was a big NAFTA winner. In the end you cannot find a net creation. Largely as a result there has been a shift in discussions and now NAFTA defenders say, well, it would be even worse if it were not for NAFTA. But that wasn't the point. They were told there were going to be job creations and there wasn't.

There has been job loss. And I think – I think one of the lessons of NAFTA, by the way, is trying to quantitative – trying to come up with specific quantitative loss or gain numbers, big trouble. Everyone agrees that this (inaudible) very few is a net job loser and more dramatically for more people it's transformed the composition of the job market so that there has been a broad downward shift. So even if you weren't one of those half a million, nine hundred thousand or whatever the real number is, that losers, the wages are down. Your social protections are down. You don't have benefits now. And that's happened to a hell of a lot more people than are documenting job losers.

Maude Barlow: Sorry, Lori, just to add that's very much the story in Canada. We had huge job losses as – as companies shifted – closed down and moved their head offices or moved their branch plants back. They just didn't need the hassle any more once that agreement came in. So we had at first huge job loss and then when jobs were regained they were regained at a lower level, then the unionized, part-time, precarious work, workers without social benefits. At the time of NAFTA 80 – about 85 percent of Canadians were insured on Unemployment. Now it stands at just under 40 percent. That – that's the shift in perceptions for Canadians. It's been dramatic.

Susan Ferriss: Lori, this is Susan again. I just have a really quick question about the corn debate. USCR says the 1.5 million in job losses and – well farm losses in Mexico is a myth because the US exports white corn which is for animal consumption and not yellow corn which is what Mexicans prefer to eat in their tortillas. So I was wondering if you had an answer to that.

Lori Wallach: The white yellow corn stock is a red herring. There is actually government data documented in Mexico with the 1.5 million job loss. So for the US government to dismiss it is both arrogant and – yeah, I have given it in the books and there are people's names and what Carlos say lost farms due to debt actually, by the way. What happened is people kept farming until they

finally lost their land, which prior to the changes in Mexican constitutional land reform rules, you couldn't lose your land for that. But as far as the white and yellow corn thing, it's a total distraction. It is a myth underneath distraction. And, by the way, if anyone is looking at this, it's the other way around. People eat white corn and critters eat yellow corn. But, in fact, if you look at where the different corn reports go and who uses what, yeah, there definitely are preferences for the white corn which mills fine for tortillas, actually both are used and some of the big companies such as the company that ADM acquired Agrooma actually uses a combination because we have been looking into this, so that they get the lowest priced corn. Plus both yellow and white corn are used for live industrial uses like, for instance, all the sweeteners that go into sodas, et cetera, in Mexico. So, actually, it is a myth but we actually get aggregated numbers to check it out. And what we found out is that in fact there has been a large increase in the corn for human consumption as well as in that what NAFTA used to claim is only for animal consumption but as it turns out isn't just for animal consumption. And, by the way, Tim, the company is now called Zennoh, that's 80 percent –

Susan Ferriss: Can I ask a question now? I am Susan Ferriss from the Mexico's Cox newspapers bureau. I wanted to ask you – I wanted to ask Carlos this, unfortunately, but I – I would like to hear some response from you, too. How do you respond to the argument that the Mexican government in its lack of – of attention to the farm sector and other needed reform is really more at fault rather than NAFTA for some of the – the problems that Mexico have. For example, lack of a development policy in the countryside in an area – region – regions that were already fragile to begin with before NAFTA. There was already migration before NAFTA from a lot of farming areas. Also failure to reform the banking, financial sector make it less likely that there would be a peso crash. And for failing to invest in education and – and other reforms that it needed to do.

Maude Barlow: It's Maude. We hear this everywhere. We hear this about trade agreements. We hear this about the world bank structural adjustment, that these countries are, you know, corrupt, blah blah blah. They can't – you know, they are not performing or whatever. Well, one argument we often, you know, provide, of course, is the third world debt to the first world and many countries are not able to provide what they need to to their people because of that debt.

So that needs to be looked at and understood first. But, secondly, what's the answer to that? Is the answer to that to bring in a brutal trade and investment regime that is going to remove the ability of a government that would want to do the right thing and would want to implement public health and public education and protection for farmers and so on? You know, I – I – I guess I feel I am watching my government go – go from – my country go from what many saw as a victim of this regime in the middle of the 1980s when Canada did have a much more involved social structure and a much more – you know, many more

programs that would show that our governments existed for their citizens, for their protection and so on to being very much one of these open competitors. And I think we victimized developing countries.

I think instead of going into a country like Mexico or what we are watching my country with its mining companies and so on like so many third world countries, take advantage of a situation as you described instead of saying what kind of rules would bring about a cooperative system that will allow farmers to exist in all countries that would protect the rights of their citizens. And that's the kind of trade regime that we are fighting for. Nobody on this call was opposed to trade or trade rules or even trade agreements. What we say these trade agreements have been imposed by wealthy and powerful countries on behalf of their corporate sector guarantees what you are describing in Mexico and other places will not change.

Lori Wallach: I want to – I want to jump in also on that which is -- I wish Carlos were there to answer your question. I am terribly sorry that he isn't. But you should email him or call him because I don't feel qualified to describe the state of the Mexican government operation vis a vis your question. What I do know is this, though, which is my colleagues and counterparts in Mexico and whoever asks is there any upside to NAFTA I would say it is the education we have all gotten, the bond of three countries majority of our populations have gotten into and the relationships and solidarity that we've developed with people who are consumer and environmental and labor and human rights advocates in the three countries.

What I hear from my counterparts in Mexico basically is that actually contrary to what you have described, and I have heard that argument along as well that the Mexican government, blah blah blah, but that rather in fact – the Mexican government as does the US and Canadian government uses NAFTA, cover as insulation to do something outrageous that wouldn't pass public scrutiny (inaudible) sunshine but that it says oh, believe me, I must do this because of NAFTA. And if we don't our public treasury will be raided by X amount of trade sanctions. They would never do this (inaudible) I am so sorry that I have to do X, Y, or Z. There are (inaudible) normally accept. The public will go nuts with. Our courts would not allow. And so instead of (inaudible) so called golden handcuffs they have barbed wire handcuffs. We didn't get the gold, you have got your democracy, your duty as a citizen and activist. Poor change that brings the added pressure to change old policy, you have that taken away to get democracy in your handcuffs.

And then as far as the peso crash, I mean that just – that just is a total fallacy. In fact, article 1109 of NAFTA, 1109, in the Investment Agreements on Transfer explicitly forbids any of the measures that Mexico could have – should have taken when the run in the peso started such as things like short term capital controls which countries like Malaysia during the Asian

Financial Crisis used as a way to insulate themselves from the worst of it and in fact it came out of it above. Article 1109 of NAFTA says, well, other parts of investment agreement specifically and stringently limits what countries can do vis a vis not just NAFTA's investment but also finance. And so what they can do is as far as freezing investments, what they can do as far as conditionalities, what they can do as far as that matter as far as regulation in the financial sector are all constrained under NAFTA rules. So rather than the government goofing it off and not avoiding the peso prices. In fact I attribute a large part of the peso climate to both the political climate before NAFTA's passage where, I mean it is no surprise, it has been in the New York Times, et cetera, there was a lot of pressure on Mexico's government not to lower the peso's value so as to get rid of what was bad in that small trade surplus with the US, trade which in part would have inflated the peso which would otherwise be devalued but that would have undermined Congress' deal which was limited at best to pass NAFTA. But also once NAFTA was in affect the tools the Mexican government could use was taken away. That isn't totally unclear, that is just factually wrong.

John Sawyer: All right. It's John Sawyer, St. Louis Post Dispatch. Could you assess the debate on NAFTA and China and other trade issues in the campaign so far and is it fair in your view to say that many of the democrats are now faulting these agreements with – not faulting the agreements that they either supported or didn't try hard to block?

Lori Wallach: The answer is yes. And I would say – I would say that there is nothing like real life results of a trade agreement and real life pain and suffering of the men and women who go to the ballot box, who inspire a US politician to rethink their previous opinion on the trade agreement. And so with the exception of Lieberman, the people like Governor Dean, a man who I personally have a photograph from the newspaper in the Rose Garden at the NAFTA signing, a major cheerleader of NAFTA who now sounds like he has a relationship with NAFTA like Dracula has with garlic. Except this is a post outcome conversion and the guy is like Gephardt who really were leaders in the fight have really gotten a lot of political momentum. So Gephardt has on the ground in Iowa a gazillion teamsters who work with machines walking their buns off going door to door in the caucus situation where as because often years report of his position on trade whereas some of the come latelys have actually lost that kind of support.

John Sawyer: Was Gephardt really a leader in the China site?

Lori Wallach: Gephardt was less of a prominent leader in the China site but his role in the China site by voting against it, by versus Dean was a supporter of permanent normal trade relations with China, taking a position on the same side as – as working Americans with an attitude, the role he played in the feeding fast track in '97 and '98 against democratic presidents, in his role in NAFTA, et cetera. So you knew people were disappointed in – you weren't – he

wasn't (inaudible) barricade in China, he had the right position and he was the champion.

Sam Gilston: Lori, this is Sam Gilston with Washington Tariff & Trade Letter. Listening to all your data you have been mentioning here, I always come back to the sort of difficulty of trying to reconcile two different sets of facts which everybody uses to – you know, their own case – somebody mentioned the fact sheets that USTRs put out and one of the – among those facts they put out was the fact that up until 2000 the recent decline of 20 million jobs created in the US manufacturing output increased at least 44 percent. They don't mention this but I think during that period auto jobs actually increased in the US due to inflow of investments from Daimler Benz and BMW. And then you have your set of statistics on the lost jobs and the lost, you know, business that occurred during this period. So how is one to reconcile the fact that during the '90s – during the period of the NAFTA implementation you have an unprecedented growth and prosperity in the United States really draft the economy even though there may be wages (inaudible) all the indices of economics are up, home ownership, poverty level is down, unemployment is down up until 2000. So how do you reconcile that picture with the picture you are painting?

Lori Wallach: Well, first I will start by saying it's funny how when things are going well in the business cycle between NAFTA start in 2000 it's all about NAFTA but when things go in the tank after 2000 –

Sam Gilston: No, I am not saying it's not about NAFTA – you are painting a macropicture, how do you separate the fact that you have a macro economy economy doing things separate from what NAFTA is doing?

Lori Wallach: Because you can basically aggregate out of that (inaudible) fix of NAFTA. For instance, what EBI did, it looked at not just jobs lost but they also did a separate calculation of job opportunities lost. And what they did, they looked at the shift during that growth boom in the '90s, manufacturing and services, and what that meant for wages increase and equality. So, for instance, if you look at the US share fact sheet the way you get the different numbers is they count only export growth. They don't count their imports and they certainly don't look at the balance.

So they tout a variety of outcomes based on enormous exports. They don't mention that the gross and imports were many, many times more than the exports. Or, for instance, they throw in the total jobs created by the economy during the boom. They don't talk about the fact there was a high tax bubble during that period nor do they talk about the fact the vast majority of the jobs created were service jobs. Now some of them were high paying professional high tech service jobs relating to the computer boom but a lot of them were not and at that same period actually there was a net outflow starting already of manufacturing jobs.

It didn't explode until (inaudible) but it is a little like a shipwreck that already happened. The tide was so high the water around it covered it up. And so while the domestic economy was generating jobs in the service sector the raucous that NAFTA was causing in the manufacturing economy kind of covered up people were finding other jobs, more hysterical. Now as that boom has declined and the business cycle is exposed to wreckage there is a lot more focus on reality. But, for instance, that number of manufacturing output, that's one of my favorite sort of NAFTA booster stunts. When we look at many manufacturing out play you are showing efficiency gain or gain in manufacturing output. What you are showing basically is the value is the same or it has increased with less workers which is exactly our point.

Chris Slevin: We time for about one more question for the folks that are on.

Jerry Hagstrom: This is Jerry Hagstrom from National Journal Congress Daily. Lori, talking about ADM I do think it's important to point out that ADM is complaining bitterly about the tax that Mexico put on high fructose corn syrup or on sodas that would contain high fructose corn syrup. And there have been cases in which Mexico has cut back on agriculture imports from the US. I am wondering, first of all, do you see any – are these examples of ways in which countries can fight back on the negative impact of – of NAFTA? And secondly, you mentioned the education being the – maybe the only – or a positive thing about what is going on here. What do you think is going to happen in the – in the future here? Is there – is there any hope for any improvement in any of this?

Lori Wallach: Well, first of all, on the ADM – the notion – I don't really feel an enormous amount of sympathy for the fact that ADM now has another way to try to make more profit. If you could show me a way that NAFTA could be used to actually make sure that the corn farmers in the three NAFTA countries could at least get (inaudible) production or a decent payment from the likes of ADM, the product, if you could tell me that somehow NAFTA could be used to try and manage supply so that big companies like ADM couldn't manipulate the prices and jerk around both consumers and farmers, if you could tell me anything like NAFTA I might rethink except given I am actually a trade lawyer and an economist I know a hell of a lot more about the NAFTA rules and I have to study the outcome and I can promise everyone there ain't nothing in the NAFTA rules that can be used to help the people – the majority, the farmers and the consumers and there are a variety of tools written into these agreements by the big companies, the theory of he who writes the rules rules. So I am not really – I am just sad we can't see anything in NAFTA that is an upside to use and try and fix the problem.

Which gets to the future which is under a legal matter any of the three countries can get out of NAFTA with six months written notice

more – with no penalty. There is no hangover penalty as with some of the current agreements which have fines. Moreover the US Canadian Mexican trade negotiators get together every year at their NAFTA summit. They would have a perfect opportunity with this day's consensus to renegotiate a major part of the agreement which gets to the political not the legal question. And that is certainly the expansion of this NAFTA model which has failed so miserably, whether it's the FTAA, 31 more countries, or the CAFTA, five more countries, is in big political trouble. Now with FTAA more than anything the reason why in Miami there was a shrinking back away from US vision of the full NAFTA expansion has got a lot of countries in the hemisphere looking at what happened in Mexico under NAFTA. Look at that. More foreign directed investment, more exports. Yeah, their economy did benefit generally. Their wages went down. What? And so the deal for this model with other countries has declined which generally leads the US to (inaudible) CAFTA the bilateral where they look for the weakest countries that really aren't in the position to have an opinion about what the affects would be on them. And those agreements are in big trouble in New York politically. So, for instance, that isn't expanding.

The question is what could be done to the existing NAFTA to get rid of cramped format so that you would have fair trade rules because I don't think any of the critics are against trade rules because certainly none of them are against trade. The question is what rules? And this stops sales and we are going to have to do something about it because the damage is not a one-time damage. It's not like, oops, ten years of NAFTA, that was the pain, it's gone. It is like a cancer and the tumor keeps growing. We are going to have to deal with it.

Speaker: One related --

Chris Slevin: Sorry, real quick. Maude, do you have anything to add to that?

Maude Barlow: Only that I do go back to Lori's former point about the movement we are putting together across both the hemisphere and around the world on the WTO. We have worked very hard in our home countries and together and the affect can be seen what happened in both Cancun with the WTO and Miami with the FTAA. You know, if this is – this is outcome based reality people have now had an opportunity to see what these agreements are about. We have had a chance to share with people in Latin America what Chapter 11 of NAFTA would do to them if extended. We have shown them that water is included in – in NAFTA. We have shown them what proportional sharing of their energy agreements would look like. And we – and this has been people to people. We have put our studies out.

We have had them translated into Spanish and Portuguese and we have gotten them out through Latin America. And this has been – this has been directly as a

result of our movement working with governments that have also done exactly what Lori just talked about which is watched the NAFTA model in Mexico. And I think we are turning the tide. And for governments, particularly Canada and the US, to stay as intransigent as they are and continue to think that this model can be imposed on other countries when there is a growing movement against it is just a fly in the face of reality and what we are seeing is that the people and even some of the people of different business sectors are saying this model is a failure. And it certainly is a failure ecologically and we have to come up with something fundamentally different.

Lisa Adams: My question is related to that. (inaudible)

Chris Slevin: Lisa, could you just speak up?

Lisa Adams: Can you hear me now?

Chris Slevin: Yeah, that's better.

Lisa Adams: I am wondering how realistic it is for the three countries to get together and renegotiate NAFTA then a strong resistance to that, although that would be the ideal and while there is a grassroots movement that – that proposes that, how realistic and in what countries could we actually see that happen? It seems like there is still a huge movement toward getting FTAA and CAFTA and all those agreements in place.

Lori Wallach: I think that the push for expanding them actually is the – the winds come out of the sails. In a lot of countries (inaudible) Venezuela, Argentina, Brazil, half the Caribbean and you see it as a result. What happened is the FTAA being scaled back the NAFTA model being rejected and a fight over white (inaudible) which is an ongoing fight, don't get me wrong, it's not like suddenly you have gone from NAFTA to panacea but the understanding of why NAFTA didn't work is there. And in the US politically something like a CAFTA is highly unlikely to get through Congress as it is currently under a NAFTA expansion.

As far as the question that – I feel pretty confident about the future of that model. Looking at the existing model, what happens, the way I see this debate for NAFTA but also WTO is there is two ways it is going to go. It makes clear the model is sales and anything that causes that much pain for that many people in growing pains is not going to stick around. Either there is going to be an orderly rediscussion and renegotiation of new rules or the folks who are so stubborn about ascending the status quo are going to be the cause in the (inaudible) and you don't want their pencil picture in a dictionary next to the word trade war but in fact political pressure in country after country basically is unfair trade rules is either leading the countries to not follow the rules – I mean, look at the European union now implementing the beef hormone WTO case

because it would cause literally civil disobedience ripping up grocery stores in
pork. Or in country after country after country political crisis. I mean in Mexico
as you know the world crisis is rolling and in fact in 2008 when the final
clarification of tariffs are pulled the real shit is going to hit the fan and in a sense
we already have it. So the political uprising like that and the pressure condemn it
so what did Mexico do? They put into place spending program that may or may
not be NAFTA legal (inaudible) and this leads to more basically failures and
smooth trade flows. And so it is either going to be chaos or its going to be
orderly but it's going to change.

Chris Slevin: Lori is starting to curse so I am going to wrap this up.
Thank you all for joining us. And to follow up with Maude, Carlos or Lori you can
contact me at 202-454-5140. Thank you Maude Carlos and Lori. And we will
email you a transcript of this call within the next 24 hours. Thank you.