

HEARING OF THE HOUSE FOREIGN AFFAIRS COMMITTEE
SUBJECT: NAFTA

CHAired BY: REPRESENTATIVE LEE H. HAMILTON (D-IN)

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Body

REP. HAMILTON: (Sounds gavel.) The committee will come to order. The committee meets this morning to discuss one of the more important issues facing the Congress this year, the North American Free Trade Agreement has been on its economic impact. Will **NAFTA** create **jobs** or cost **jobs**? Will it send American companies packing to Mexico, or will it simply send more American exports south of the border?

These, obviously, are important questions. This morning the committee will, I'm sure, but I also hope we'll address a different aspect of **NAFTA** and a very important one -- **NAFTA**'s impact on the United States foreign policy and U.S. standing in the international community. How will **NAFTA** affect the broad scope of our relations with Mexico, a close American ally as well as our neighbor? How will it affect customs problems, immigration, illegal drug interdiction? What impact will **NAFTA** have on our relationships throughout the rest of Latin America? How will it affect our ability to reach those huge markets? Not only what happens if **NAFTA** passes -- how many **jobs** it creates or plants it closes -- but also what happens if it fails -- what does that do to our stature in the world, what signal does it send **about** our willingness to participate in international trade negotiations, not to mention our commitment to free trade? What does it say **about** our willingness to be engaged in the world?

We are very pleased today to have two distinguished members of the president's cabinet with us -- Warren Christopher, the secretary of state, and Lloyd Bentsen, the secretary of treasury. Secretary Bentsen, of course, served in the House of Representatives some years ago and then had a very distinguished career in the United States Senate. We're honored to have both of you here, gentlemen, and I'll ask if any of my colleagues have any comments they would like to make at this time.

If not --

REP. CHRISTOPHER SMITH (R-NJ): Mr. Chairman, I'd like to make a very brief one.

REP. HAMILTON: Mr. Smith.

REP. SMITH: Thank you very much, Mr. Chairman. Mr. Chairman, I want to welcome to the committee Secretary Christopher and Secretary Bentsen to our committee, and thank them in advance for coming and making the presentation on behalf of the administration.

When the House votes on this legislation in the coming weeks, Mr. Chairman, I plan to vote against the measure. I have read volumes of documents, I've participated -- as have many members of this committee -- in several hearings and heard the arguments on both sides from economists, pundits, political candidates, labor unions, and the business community. I remain, Mr. Chairman, very concerned **about** the potential effect of **NAFTA** on the

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security of jobs in the state of New Jersey as well as in America. I am quite skeptical about the uncertainty that the agreement will bring to certain labor markets in this country. The numbers have ranged from 5.9 million jobs being at risk due to relocation or low-wage competition according to some of the estimations, to the creation of a gross total of 316 jobs, according to the Institute for International Economics.

Charlie Marciani (ph), who happens to be the president of the New Jersey State AFL-CIO, said in a recent speech that an estimated 190,000 jobs could be lost in my state of New Jersey alone. While exact numbers vary, an estimate 500,000 to one million jobs could be lost according to some estimates. The General Accounting Office acknowledges that the major economic studies on NAFTA agree that there will indeed be significant job losses for Americans attributed to NAFTA. Mr. Chairman, according to Lester Thurow of MIT -- and I would like to quote him on this -- "this is going to have a big effect on wages of the low-skilled, bottom-one-third of America's work force. Any part of the American work force whose jobs can physically be moved should expect to see wages fall."

REP. HAMILTON: Any further comments?

Mr. Brown.

REP. SHERROD BROWN (D-OH): Thank you, Mr. Chairman.

Secretary Christopher, Secretary Bentsen, welcome to the Foreign Affairs Committee.

I'm a little disturbed in the last couple of weeks about the tone of the NAFTA debate, especially in the sort of Japan-bashing that the administration seems to be engaged in. Even in one document, the pro- NAFTA people cite over and over the briefing book "The Continental Shelf" by William Armey Jr (sp). Even in that document the proponent of NAFTA states that Salinas himself insists that would only make it easier for Mexico to attract Japanese investment south of the border. Many of us against NAFTA have been making that assertion all along, that NAFTA in fact will allow Mexico -- encourage Mexico to be an export platform for the Japanese to gain the Japanese even more access to the American market. And I can only hear -- I only even bring up the statement that I hear from the proponents of NAFTA so often, the line that they can already do it about American business going to Mexico. The Japanese can already go to Mexico now and don't seem to be investing there because their interest is not the Mexican market but the American market, and NAFTA gives them more access to that.

The other issue, briefly, Mr. Chairman, is I'm also disturbed that the administration with its very laudable record on talking about human rights violations around the world, and particularly Mr. Bentsen's and Mr. Christopher's and others in the administration's own history of concern about human rights and articulated so well by people like Mr. Lantos on this committee. I don't hear that same concern or even issue brought up about President Salinas. The pro- NAFTA people have often made Salinas, perhaps because of his urbaneness and Harvard education, made him out to be much greater than he is, much more interested in human rights than he is. But even at a CIA briefing not so long ago we really got answers to the question of the assassination of political leaders, of political opponents, the assassination of journalists, the assassination of labor leaders in Mexico that were anti-government, and I just can't believe that we're holding -- almost holding up Mexican democracy -- and I use that term very loosely -- as a model for where we as a nation want to be. And it seems to me the passage of NAFTA puts the government -- American good government Housekeeping Seal of Approval on what the Mexican government has done to its people in the last sixty-some years and the PRI political party which since the fall of the Bolsheviks has been the most -- is the longest-standing single political party rule anywhere in this globe.

So I plan to oppose the agreement. I look forward to hearing the testimony, particularly on human rights and particularly on the Japanese issue and why the administration keeps talking about those -- talking about that Japan issue.

Thank you, Mr. Chairman.

REP. : Can we keep it brief?

REP. HAMILTON: (Laughs.) The chairman got a little more than he bargained for here when he asked for opening comments.

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But I -- two of my colleagues want to be recognized, so I'll recognize Mr. Rohrabacher then Mr. Bereuter. Ask them to keep their remarks reasonably brief, if they would, so we can go forward with the testimony.

REP. DANA ROHRABACHER (R-CA): I'll make it very short, Mr. Chairman.

First of all, I do want to welcome Secretary Christopher and Secretary Bentsen. Just for the record, I would like more opportunities to discuss foreign policy issues with you, Secretary Christopher, and I would hope that you would be here more frequently because NAFTA isn't the only thing we need to discuss with you. And that's just one -- a favor that I'd like to ask in the beginning; if we could just say that it is our opinion on the Republican side that we'd like more of a chance to have public discussions with you on the foreign policy issues of this administration.

With that said, let me applaud the administration on the very tough stand the administration and the president has taken on NAFTA. I think it is exemplary. And I know it's more difficult for Democrats who have union support to come out and have to confront this, the nonsense that's been spread about NAFTA. And I want to really congratulate both of you and the president for the strong stand he's made and for the articulate championship of this important issue, especially California.

The demagoguery that's -- and resulting hysteria that we've heard on this issue is just out of -- you know, incredible. And we have reasoned opposition, as we've heard here today, on this panel. But out in the hinterland, the demagoguery is just overwhelming.

And I would especially congratulate the president and this administration for a willingness to confront the number one demagogue on this issue, the little man from Texas, who has been spreading lies about this and now seems to have an unwillingness even to debate the issue seriously. Keep the pressure up on that fella. He needs -- he's been saying a lot of things. He seems to be -- he seems to lack the courage to confront the president or the vice president in a serious discussion of the issue without all sorts of people cheering and chanting and taking away attention from a serious debate of the issue. So congratulations and thank you, and I'll be doing my best to work with you on this issue.

REP. HAMILTON: Mr. Bereuter?

REP. DOUG BEREUTER (R-NE): Thank you, Mr. Chairman. I want to welcome our distinguished guests for testimony today, and a few more kind words. I think that you two gentlemen, USTR, Mickey Kantor, the president and the administration has done a very good job of presenting the case for NAFTA. There is much information out there today, but I think you have helped this member conclude that NAFTA is in the short term and long term best interests of the United States. Incidentally, it's helpful to Mexico as well. It will result in slowing the loss of manufacturing jobs, it will create additional manufacturing jobs, net new jobs in this country, and will create net new jobs total in this country. So I think you've done a good job. There's work to be done, but I want to commend you for the efforts you've already put forth. Thank you for coming.

REP. HAMILTON: Okay, let's go ahead. Mr. Secretary, do you want to proceed?

SEC. CHRISTOPHER: Mr. Chairman and members, thank you very much for giving me this opportunity to come here today and talk with you about the North American Free Trade Agreement.

Mr. Chairman, before beginning, I'd like to take this opportunity to compliment you personally on the sustained and enlightened leadership that you have given the nation in the field of foreign policy. Whatever the issue, and especially in times of confrontation and crisis, I think we're always able to count on you for steady and insightful judgments, and I really want to pay tribute to you before I begin to discuss this particular issue, Mr. Chairman.

REP. HAMILTON: Well, thank you. Terrific start, Mr. Secretary. (Laughter.) Thank you very much.

SEC. CHRISTOPHER: I believe that this agreement deserves approval on economic merits alone, but I'm also convinced that the foreign policy implications of NAFTA make a very compelling economic case even stronger. Secretary Bentsen will describe the economic benefits of NAFTA, and I think appropriately I'll be talking about the foreign policy benefits. For the United States and Mexico, NAFTA is about a good deal more than tariffs and trades. It's about more than growth in jobs even. It's a symbol of a new relationship and a new spirit of

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cooperation. Approval of NAFTA and the side agreements will increase Mexico's capacity to cooperate with us on a wide range of issues that affect our security in direct and tangible ways.

Let me mention one example of the kind of cooperation that NAFTA will make available, and that is on illegal immigration. Legal immigrants from Mexico and other nations continue to make an important contribution to America's diversity, vitality and democracy. At the same time, as you know, the Clinton administration is committed to reducing illegal immigration. A growing Mexican economy, I think, will be very helpful in reducing the push pressure that had been so important in creating the illegal immigration. As Janet Reno, attorney general, said the other day, "If NAFTA is defeated, stopping the flow of illegal immigrants will be much, much more difficult if not impossible.

For many years, Mr. Chairman, the United States and Mexico were, as one observer put it, distant neighbors. Until recent times, the Mexicans saw Americans as a source of pressure and even danger while Americans saw Mexican poverty as a source of instability. Fortunately, Mexico has been growing and changing, modernizing and developing a middle class. In the last few years, Mexico has made unprecedented efforts to open its economy, to reform its political institutions, including the judiciary and the electoral system. Mexico's attitudes about the world have changed very dramatically during this period of time.

And I must say that their attitudes on issues of human rights, which are very important to me, have also changed. The issue to me in the human rights field is not whether Mexico is perfect now or how they rate on a scale of 100; it's the direction of the trend. And the important issue is whether or not NAFTA will help push that favorable trend in the right direction. And I'm convinced that it will, and I'm convinced that a defeat of NAFTA would set back what I think is a favorable trend which has been pushed forward by President Salinas.

Today, the United States and Mexico are working together not only to resolve issues on the border but to defuse hemispheric conflicts and crises. Our work together in Guatemala and El Salvador are good examples. Next, Mexico will enable our countries to work together to move beyond the old suspicions and outdated assumptions. For more than a half a century, every American president, Democrat and Republican, has stood for cooperation with Mexico. NAFTA represents a bipartisan commitment to widening and improving America's ties with its Latin American neighbors, particularly with Mexico.

NAFTA has, as I think you all know, the support of five -- of the five former presidents of the United States who are now living, a really unusual demonstration of bipartisan unity. In many respects, Latin America is pointing the way toward a more hopeful future in the whole post-Cold War era. In Latin America, democracy is ascendant, markets are opening, conflicts are being peacefully resolved. By approving NAFTA, the United States will send a powerful signal that we support this kind of development.

I believe the vote on NAFTA will be one of the most important decisions that you members of the Congress will make in this decade. To consider what is fully at stake, I think we must consider not only the economic and diplomatic gains that will come from NAFTA but what America and Americans will lose if NAFTA does not go into effect and goes down to defeat. One of my jobs as secretary of state is to consider the down side of alternative courses of actions, and I tell you that, in my judgment, the downside of rejecting NAFTA would be quite enormous.

First, the defeat of NAFTA would severely damage our relations with Mexico. Our carefully-nurtured efforts to improve relations would be scuttled as a sense of rejection sets in across the border. I have no question that there will be a deep sense of rejection if NAFTA is defeated by the Congress. From the standpoint of the United States and our foreign policy, this would be a self-inflicted setback of historic proportions. A second consequence of a defeat of NAFTA would be to hand our major economic competitors in Europe and East Asia a gilt-edged invitation to go after what should be a natural market for our goods and services. They will not hesitate to gain a foothold where we fear to tread. I've had a good deal of experience in my professional life with Japanese businessmen, and I've got great admiration for their initiative and imagination, and I have no question but that, if there's a defeat of NAFTA, we'll find Japanese businessmen moving into Mexico to take advantage of the opening that we've left by the sense of rejection that we would have created.

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Third, rejection of NAFTA would send a chilling signal about our willingness to engage in Latin America at a time when so many of our neighbors are genuinely receptive to closer cooperation. It would complicate our efforts to find diplomatic solutions to regional crises that threaten peace and stability in the hemisphere.

Fourth, while there's no good time to defeat NAFTA, there could be no worse time than the present time when the GATT negotiations are in the final crucial days leading up to the December 15th deadline. At this delicate stage of the Uruguay Round, the United States must maintain maximum leverage and must exercise maximum leadership. NAFTA's success will affirm our international economic leadership. It will signal to our trading partners that we're serious about opening markets and we have the political will, the determination, the courage to follow through. On the other hand, failure of NAFTA would call into question our credibility as a reliable negotiating partner and hamper our efforts to expand world markets.

I must say, Mr. Chairman, the world is watching. The next 40 days can shape the economic world and shape America's future in it. Not only will critical decisions be made on NAFTA and GATT, but, in addition, we will host in Seattle this month a ministerial meeting of the Asia Pacific Economic Cooperation forum, the so-called APEC conference, which will be added to by an historic gathering of the leaders of the 16 members of APEC, which President Clinton will host for the first time in Seattle. This will enable us to establish a framework for regional economic cooperation, integration and trade liberalization in Asia. With NAFTA, GATT and APEC, the United States has in this next 40-day period an extraordinary convergence of opportunities to show that we're committed to the international trading system, that we want to do everything we can to promote global growth and jobs for Americans.

Fifth and finally, NAFTA's rejection would undermine our commitment to open markets and a liberal world trading order. Opposing an agreement that eliminates trade barriers is really an argument for protection. It's only a short intellectual walk from opposing the lowering of tariffs to favoring the erection of higher trade barriers. This is simply the wrong course for the United States. We've seen the consequences of protectionism once before in this century in the late 1920s, in the early 1930s, and once was certainly enough. I believe that to oppose NAFTA is to reject the principles of free trade that have helped make America a very prosperous nation in the last half-century.

Beyond all the specific points that are going to be marshalled for NAFTA, a broader overriding principle is at stake from a foreign policy standpoint, and it is that America cannot and should not and will not thrive if it withdraws from the world. The defeat of NAFTA would not only forfeit an opportunity to strengthen our economy, but it would constitute a profoundly disturbing move toward isolation, toward abdication of the role that America must assert to protect our interests and promote our values. It would weaken our position not only on international economic issues but on other foreign policy concerns which are very important to our security. The vote on NAFTA will determine whether we chose to engage or retreat in the global economy, whether we will enable our workers, who are the most productive in the world, to compete and win, or whether we will try in vain to insulate ourselves from the rapid worldwide economic change that's taking place all over the globe.

I don't believe we can afford to shrink from the natural and growing market for our goods and services that Mexico represents. I don't believe that we ought to undercut the president at a time when negotiations on the Uruguay Round are in their final stage, and I don't believe that we ought to endorse the kind of economic isolation that squanders the chance to create American jobs and surrenders a part of America's global leadership.

I believe that a vote to approve NAFTA is a vote for American engagement that will echo around the world and especially in our own hemisphere. It's a vote to expand political freedom and free markets throughout the hemisphere and to extent cooperation between the United States and the countries of Latin America. It is a vote to reinforce the foundations of free trade that will be a foundation for prosperity in the next century.

NAFTA is a once-in-a-generation opportunity. Approval will signal our confidence at home and abroad that our economy is going forward and that we are participating in the international trading system. With NAFTA we're building an economic future and a foreign policy worthy of our great nation.

Before I conclude, Mr. Chairman, let me just take a minute to respond to Mr. Rohrabacher. I guess I should be complimented that he would like to see more of me up here, but I want to say, congressman, that I have testified in meetings like this or comparable ones 31 times in the nine months that I have been in office, far more than my

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predecessor as secretary of state. With the travel schedule I have I think that is a strong record of participation. But I want to say to you, if you ever want to talk to me, please call me up. I'll answer the telephone or I'll come up and talk with you. I have a rule that I answer congressional calls in the same day that I receive them. I think that's a commitment that I've certainly tried to keep, despite my travel schedule. I feel very responsive to you. I want to be here as often as I possibly can, and I'm committed to continue to do that.

Thank you very much, Mr. Chairman.

REP. HAMILTON: Thank you, Mr. Secretary.

Secretary Bentsen?

SEC. BENTSEN: Thank you very much, Chairman Hamilton, and Congressman Leach, distinguished members of this committee. I appreciate the chance to appear with Secretary Christopher to talk about NAFTA.

But first let me say to you, Mr. Chairman, I was very appreciative of your sending me your speech on NAFTA (of June ?). I must say, the first thing I did after reading it was send it throughout Treasury. We probably have the fourth printing by now.

When we talk about NAFTA, this is not a theoretical exercise for me. I was born and reared on that Mexican border. I've seen good deals and I've seen bad deals with Mexico. I think this is a good deal.

I think it's important for everyone to understand that this agreement is not the cause of the problems that make some Americans concerned about NAFTA, but it's going to solve some of them. This trade agreement didn't pollute the border region, but it will help clean it up. This trade agreement hasn't sent American jobs south; in fact, it will create better-paying jobs for Americans here. This trade agreement isn't responsible for any unease people may feel about our economy, but it can go a long way toward solving these problems and easing those fears. Even better, NAFTA is going to make us more competitive in global markets, and NAFTA is the first step towards solidifying our trading position in Latin America.

What an incredible change has taken place in Mexico. All my life I heard Mexican politicians running against the United States, the colossus of the north, "los gringos al otro lado del Rio Bravo" and winning by that. Change in attitude that's taken place. First with de la Madrid as he took them into GATT. And now to watch Salinas standing on the shoulders of de la Madrid, bringing down those tariffs, opening up markets, and seeing it happen throughout Latin America. There is an economic revolution that is taking place down there and we ought to be taking advantage of it, be a part of it.

I think NAFTA is an integral part of our domestic economic agenda, a key element of our international agenda to create jobs through opening up markets through reciprocity. NAFTA is going to make us more competitive in global markets and the first step in solidifying our trading position throughout Latin America. Trade is a way of life for this country of ours. One in eight U.S. jobs depends directly on trade.

That's why I wonder when I hear talk about passing up the chance to increase exports and open markets. I don't know of a time when less trade meant more jobs and more prosperity for Americans. The idea that we cannot compete, that we turn inward, I can't accept it.

Many of you by now are familiar with the figures. Since Mexico began dropping its trade barriers, we've seen our position go from a deficit of almost \$6 billion in trade to over \$5.5 billion surplus while we continue to have an enormous deficit in other parts of the world. We've picked up -- based on the 300,000 jobs that we did have dependent on trade to Mexico, we've picked up another 400,000. Now, some 700,000 Americans depend on trade with Mexico for their livelihood, and things will get better with NAFTA. We anticipate in two years another 200,000 jobs. I think one of the other things that's important is the fact that those export jobs pay about 12 percent more than other jobs.

One of the primary benefits of this is that it levels out sharply a field that is tilted against us. With NAFTA, Mexico is dropping tariffs that are 2-1/2 times the size of ours, average 10 percent to our 4 percent. And you have to remember this, those tariffs in the past have been 100 percent; they've been 50 percent; and you've had nontariff barriers, and that's the sort of thing that we're beginning to eliminate.

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When people talk about these jobs going south and how the Big Three went south, one of the primary reasons for that was not cheap wages, but because they built protectionism around Mexico and you couldn't sell in that Mexican market unless you were down there producing. And even now, if you want to sell a car to Mexico, you have to buy two from them. If you want to sell \$10,000 worth of automobile parts to Mexico, you have to buy 20,000 [dollars] from them, in addition to the nontariff barriers. That's the sort of thing that we're getting rid of in this type of situation.

And these tariff cuts, they're just for us and Canada. They're not for the Europeans who have built themselves a European common market to give advantage to their trading partners within that. They're not for Japan. They give us a further competitive edge against that kind of competition. What happens if you reject NAFTA, you can bet that Japan, with very able traders and competitors, will be banging on that door, and so will the Europeans.

They'll have their order books out. And Salinas will decide that America can't take yes for an answer.

Where will we be? We'll have been retreating behind a wall of protectionism and we'll be losing business, and that's a shame. Because the Mexicans don't just like American goods; they love U.S. products. Seventy percent of their imports now come from the United States of America. We can't give up that kind of an edge.

The fastest-growing market in the world today, Asia. Secretary Christopher talking about the meeting with APEC countries, and we ought to be involved. We are part of that. But there's no question but what the Japanese and the increasing Chinese economy has an edge on us there.

Second-fastest-growing area in the world today, not Europe, Latin America. And we have the edge there. Go down to Chile. Look at what's happened there with Alejandro Foxley (sp) as an economist. Aylwin is the president. Privatizing. Go down to Argentina. Can you imagine a Peronista that would privatize and open up markets? And getting down inflation that way. With Cavallo (sp), a brilliant economist, helping counsel him. Those are things that are happening throughout Latin America. And we certainly ought to be a part of it. I don't think there's an American that wants to see the United States left behind in this.

As you know, President Clinton wanted to make this agreement better. So, the administration negotiated two side agreements, one on labor issues and one on the environment. I want just to spend a minute on those two.

The labor side agreement offers us a precedent-setting way to keep Mexico moving forward in the enforcement of its labor laws and standards. Many people don't realize that Mexico has good, strong labor laws, but enforcement has been a problem. Mexico has made a commitment to enforce its laws with far stronger actions and to publish its laws and regulations for all to see. When people know their rights and there's a well-publicized commitment to enforce those rights, Mexico and Mexicans will demand that those rights be observed. The side agreement's consultation procedures and dispute-settlement process in key worker standards guarantees that we will know of any failure to enforce Mexican labor laws and we'll be able to take meaningful action.

I would remind this committee that without NAFTA, the side agreements won't exist. If we lose NAFTA, we lose the framework to move Mexico forward on the labor front.

Over and above that, on our side we're phasing-in our tariff cuts so that our industries that might feel some impact from NAFTA will have time to adjust. We're also committed to a solid package of worker adjustment assistance to make certain that workers who are affected get help.

I know the importance of safe drinking water. Reared on that Rio Grande. I've seen a situation with 26 million gallons of raw sewage a day coming out of plants in Nuevo Laredo that flow down and affect both sides of that border. I know the problem of adequate waste treatment and solid waste disposal. Right now there are hundreds of thousands of households on both sides of that border that lack those basic needs.

We have created a financing mechanism, at very little out-of-pocket cost to either us or the Mexicans, I might add, that will take on this problem. We call it the North American Development Bank or NAD Bank. Ninety percent of what it lends will go for environmental projects. The remainder will be available for community adjustment and investment in communities which are affected by NAFTA.

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I want to emphasize that the NAD Bank will depend heavily on private sector financing of border projects. We and the Mexicans will each put up \$225 million spread over five years. We originally proposed this, because of the difference in the size of the economies, that we'd do 85 percent and they'd do 15 percent. But people up here in the Congress said that won't float; it has to be 50-50. And that's the way we've set it up. And that that can be leveraged to \$2 billion to \$3 billion in financing, and when combined with ongoing financing mechanisms, this approach can help generate up to \$8 billion, that's to clean up that border. And further, we have provided for an unprecedented level of community involvement in overseeing environmental work.

And, finally, let me point out what NAFTA means to us in terms of our global economic strategy. The fact of the matter is that in international trading arena we compete with Japan and Europe, and Japan and Europe have strategies for capitalizing on regional trade. For instance, the EC is in the final stages of creating a \$6.4 trillion market of nearly 350 million people.

The United States is in a unique position because we trade with both Atlantic and Pacific trading partners. We have to compete everywhere. But like the EC and Europe, we must have a strategy for our own backyard.

Now, let me give you an example of how Japan has benefitted from a regional strategy.

For some time now, Japan has been working on increasing its trade with its closest neighbors -- and that's a smart move -- with their fastest-growing markets in the world. Why not trade with your closest neighbor? They've turned a market that was \$25 or \$30 billion two decades ago into a market worth as much as \$150 billion to them. And they in China have that edge. There's no question about it there.

But in Latin America, and talking to you about it being the second-fastest growing market, it's right next door to us. And as I said, we have 700,000 American jobs depending on that trade.

I mentioned how much Mexico loves our products. In fact, they've replaced Japan as our second-largest customer of manufactured goods. And that market is growing. And NAFTA will help us unlock its potential.

We ought to do everything we can to solidify our position. If we pass NAFTA, we get jobs, we get trade, we get a stronger, more competitive economy. If we fail to pass it, we fall prey to fears I'm absolutely convinced will never materialize. Not only do we lose NAFTA, we also jeopardize the GATT negotiations, we deny ourselves the chance to continue leading the way in the Latin American market.

And one final point. I saw a study from a very respected independent economic forecasting firm just this week -- Horton (sp) -- telling us what happens if we don't pass NAFTA. It had some figures that caught my eye. It said if we don't pass NAFTA, a decade from now total employment will be a half a million lower than what it would be, that manufacturing jobs would be 170,000 lower than what it could be, and that our GDP will be \$43 billion lower. And that works out to \$330 per year less for the average working American.

Thank you, Mr. Chairman.

REP. HAMILTON: Thank you very much, Secretary Bentsen, for a good statement from both of you, powerful statements, in my judgment. And let me just begin with a button I've seen around the halls of the Congress here in recent days, and that's the phrase "Not This NAFTA". And the implication of that, at least to me, is that those who oppose NAFTA think that they could support another NAFTA of some kind or description. Could we negotiate a better or another NAFTA if this is defeated?

SEC. BENTSEN: You won't get a chance to, because what you've seen in this kind of a situation is a change in attitude by Mexico to look on us as not the colossus of the north but a trading partner. And then when we can't take yes for an answer, you watch them switch if it didn't work and see who they pick as candidates to head the parties, see who the PRI chooses -- "a quien se pone el dedo" -- who they put the finger on. They'll pick someone with a different point of view. They'll say, this didn't work, so let's go encourage the others to come in and make their investments, let's encourage the Europeans, let's encourage the Japanese; they're effective, able competitors.

REP. HAMILTON: So the prospect of negotiating another NAFTA is minimal, is that correct?

SEC. BENTSEN: I think it's zilch. I don't think you get it.

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REP. HAMILTON: All right. Mr. Secretary -- Secretary Christopher, one of the criticisms made about NAFTA, of course, is that we are going to be rewarding an anti-democratic, corrupt Mexico, a Mexico that abuses human rights. President Clinton the other day said that NAFTA, on the other hand, is an opportunity for democracy in this hemisphere. Put this into perspective. Why are we -- why is it an opportunity for democracy? Why are we not rewarding anti- democratic actions in Mexico if we approve NAFTA?

SEC. CHRISTOPHER: Mr. Chairman, it really depends upon an evaluation as to whether you think the trend has been in the right direction in Mexico in the last several years or not. I feel confident that there has been a trend toward greater democracy and greater respect for human rights in Mexico. There are now three governorships in Mexico that are held by the opposition party. There's a substantial opposition representative in their parliament. This is a change from earlier days. We may see a very competitive presidential race this year. I think we want to encourage that trend.

As I say, I think the issue is not whether Mexico is perfect at the present time, the issue is whether or not the passage of NAFTA, the approval of NAFTA, will or will not encourage the trend, which has been in the right direction. And I strongly believe that it will. And I think it will be a big setback toward the forces of enlightenment in Mexico if NAFTA is turned back. It certainly will be a major defeat for President Salinas, who has moved Mexico in a positive direction. REP. HAMILTON: Secretary Bentsen, I think you know, of course, that the key concern so many Americans have about NAFTA is its impact on jobs and wages. And whenever you talk to workers they conjure up this -- the low wages in Mexico and flooding American markets, and all the rest.

How do you respond to these concerns about low Mexican wages?

SEC. BENTSEN: Mr. Chairman, if low wages was the answer, then watch out for Bangladesh, watch out for Haiti. But you take very sophisticated business people that you have in Germany, and they decide to put the new BMW plant not in Mexico, to put it in the United States. Talk about the new Mercedes Benz plant; put it in the United States, not in Mexico. When you look at the difference in the cost in building the identical car between Mexico and the United States, it costs you \$410 more to build it in Mexico. Now why? You've got a differential in wages, but wages today are -- direct wages are only 8 percent of the cost of building a car in the United States, for example. But what you have is an infrastructure here and a work ethic that makes us the most productive workers in the world. They are world competitive and they have the advantage over the kind of an infrastructure that you see in Mexico insofar as the roads, insofar as the transportation, insofar as the railroads, insofar as the communications.

REP. HAMILTON: Mr. Leach?

REP. LEACH: Well I was appreciative that both of you put your statements in the context of other international treaties under negotiation, particularly GATT. And both of you indicated that if NAFTA goes down, GATT becomes more difficult and possibly is in jeopardy. Most of the information this committee has received from foreign visitors, et cetera, is even more stark. That is, there is a sense in Europe that if America wants Europeans to be more free trade oriented, it can't be protectionist in its own hemisphere.

Coming to the agricultural community in particular, as you know, many Midwestern agricultural interests are very convinced that NAFTA is in their best interest. If NAFTA goes down, that's kind of a whammy at Midwestern agriculture, but it could be a double whammy in the sense that there's a sense that the United States position vis-a-vis France and the GATT negotiations will weaken substantially. Is that a fair assessment in that you'll see American agricultural interests more likely to be sacrificed in the GATT negotiations if NAFTA goes down?

SEC. BENTSEN: Congressman Leach, I certainly think so. If we can't work out an opening up of markets with our next-door-neighbor, then it's going to be extremely difficult to sell our point of view in opening up markets in Europe and in the developing countries around the world. We've seen our exports to Mexico on agriculture in the last five years go from \$1 billion to \$4 billion. And we've had a further opening-up of those markets offered to us in the NAFTA agreement.

So, for us then to try to argue with the French on the Blair agreement, it becomes much more difficult.

REP. LEACH: I appreciate that. I'd just like to ask a couple of logical questions. It strikes me if Mexico has three times the tariffs we do and NAFTA reduces them to equality over time, how can we be better off keeping the status

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quo? If Mexico has a lot of internal corruption, is it better off with the status quo or better off with open markets with the United States?

SEC. BENTSEN: Well, let me say what we're talking about is evening the trading field, leveling it, and that's where we're headed with this agreement. Now, you've had problems, without a question, insofar as some of the corruption in Mexico. We've had a bit ourselves, you know.

But I look at a situation where Pedro Esby (ph) in charge of customs, and since customs comes under Treasury on this side, I relate to it. But I watched him go in there and fire the whole customs force. Imagine us doing that on our side. He brought in a bunch of interns, kept them there about six months or so and then turned around and fired the whole customs force, and then hired some of them back one at a time after he was satisfied with them, and 10 times -- increased their salaries 10 times to try to take care of -- see that they weren't so subject to being bought off by people going across that border. Amazing change in attitude.

REP. LEACH: I appreciate that. Let me just ask one historical question. Both of you commented, in essence, on the '30s and the notion that protectionism deepened and lengthened the Great Depression. That lesson has been commented upon. But it strikes me that isn't there the obverse truth, too, that if protectionism deepens and lengthens difficulties in the economy, doesn't steps towards free trade imply a greater impelling of economic growth? Is that a valid observation, or do you think that history doesn't have relevance here?

SEC. BENTSEN: I think what it does, the competition makes us cut out the fat, increase the productivity, makes us more competitive. I think what you're seeing in this country, I think we're in the best position to take on international competition I have seen, and let me tell you why.

Remember what it used to cost for capital in Japan? You'd have some bonds at 1 percent and some warrants out there for conversion to a stock that was a hundred times earnings. That's what capital was costing them.

Now capital costs them more than our capital costs in this country. And we have become much more sensitive to quality products, and the cooperation between management and labor here to do that one has made us, I think, the toughest competitors in the world today.

REP. LEACH: Thank you, sir.

REP. HAMILTON: Mr. Lantos.

REP. LANTOS: Thank you, Mr. Chairman. Let me first welcome our two distinguished guests, and let me say in general that the country is extremely fortunate to have you two in these two critical positions. You have done an outstanding job and you have our appreciation.

As I look around my colleagues, there are plenty of articulate opponents and supporters of NAFTA. I'd like to deal with some other issues. I'd like to deal with some other issues because it seems to me that the future of our nation will not be determined by what happens in Haiti or Mogadishu, and it won't even be determined by whether NAFTA wins or loses by six votes on November 17th.

But the future of our nation will depend overwhelmingly on the way we develop our relations with Russia and the way we revitalize NATO. And in that connection, Secretary Christopher, let me pay tribute to the president and to you for having handled the main event, U.S.-Russian relations, with extraordinary judgment and great, great sophistication and skill. On two occasions, at the time of the referendum and most recently, at the time of the coup, the president and you have shown great courage and great judgment in coming down, without any reservation, on the side of the democratic forces in Russia. And my feeling is that these moves will determine for a long time to come our relationship with the one remaining large nuclear superpower, Russia, and our ability to work will create a framework that will provide some stability in this very turbulent world.

Let me, however, move on to an upcoming issue with respect to Russia. When Ambassador Talbott testified before this committee some time ago, I cautioned him that we should not press Yeltsin to hold presidential elections yet again. Yeltsin has had two sets of presidential elections in a very difficult situation.

He had the referendum, and he is the first democratically elected president of Russia.

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In the last few days, we have heard indications that the presidential elections that he talked about for next June may be postponed. My understanding is that the parliamentary elections which are coming up in December should determine the timing of the next presidential election in Russia. And I hope that we will not put pressure on Yeltsin to submit himself yet again, the third time in less than three years, to presidential elections.

I would like to get a reaction from you, Mr. Secretary, on what our view is of when presidential elections should be held. Are we going to hold him to this June date, or will we allow the newly elected Russian parliament to determine when those elections should take place?

Secondly, Mr. Secretary, I believe that the basis of a stable world will depend on the future of NATO. Are we prepared to move gradually and rationally toward expanding NATO not in a manner which is threatening to Russia, but in a manner which it makes it clear to them that NATO is now their friend, that there is an opportunity for Russia and NATO both in its present form and in an expanded form to cooperate with Russia to preserve stability not just in Europe but in many adjoining areas, such as the Middle East?

SEC. CHRISTOPHER: Thank you, Mr. Lantos.

With respect to the timing of the presidential election in Russia, I think it's important to realize two things. First, the constitution that has been proposed by President Yeltsin would provide that his term as president continues until 1996, which was his current present term.

REP. LANTOS: That's right.

SEC. CHRISTOPHER: But it also provides, Mr. Lantos, that the parliament is authorized and permitted to establish an earlier date for the presidential election. It's my judgment that that's a healthy way to have it, that President Yeltsin has indicated his willingness to stand again next June if the parliament wants him to do so, but I think that from the standpoint the United States' relations with Russia, our interest -- we ought to be focussing on the two major events that are coming up this December: that is, the election of the parliament and the approval of the constitution.

That's what's before us right now and that is what is important. I think the way that the presidential election date has been handled is a satisfactory one from our standpoint. That is, the constitutional provision, but with the authorization of the congress or the parliament, I should say, to establish an earlier date if they wish, perhaps next June.

On the other question, Mr. Lantos, I certainly agree with the thrust of your question. The United States, after a good deal of thought, the president has put forward the concept of an evolutionary expansion of NATO, the prospect that NATO can be expanded over time with no one excluded from consideration. President Clinton calls this the offer of a partnership for peace, which is going to be put before the NATO summit which he has called for next January.

This partnership for peace would be an inclusive enterprise, not exclusive. It would offer this opportunity of a partnership for any of the members of the North Atlantic Cooperation Council, give them an opportunity to develop habits of cooperation, to train together, to plan together in Brussels. And I think that's a very sound way to approach this matter, not to single out a bloc of countries and say you're coming in first, which I think would be -- I think the Russians would find that to be a very threatening concept.

I'm very glad to tell you that when I met with President Yeltsin in Moscow about 10 days ago, I outlined this partnership for peace concept to him and he was very impressed with its soundness. And he said we'll certainly work with that; we think it's a proper concept.

So, I think that I'm agreeing with the thrust of your question, Mr. Lantos. We ought to provide for an evolutionary expansion of NATO, but in a way that we can test the cooperation of countries as they begin to work in this partnership with the NATO countries.

REP. LANTOS: Mr. Secretary, let me just say I'm delighted to hear your response. And let me commend you and the president for keeping your eyes on the main event, which is the building of a new structure of collective security

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following the collapse of the Soviet Union. And you should not allow yourself to be sidetracked into truly secondary side issues.

SEC. CHRISTOPHER: Thank you very much.

REP. HAMILTON: The chair recognizes Mr. Leach for a unanimous consent request. REP. JIM LEACH (R-IA): Mr. Secretary, I'd like to ask unanimous consent that at the time of the opening statements, a statement by Don Manzullo be inserted in the record in support of the NAFTA agreement.

REP. HAMILTON: Without objection.

Mr. Smith.

REP. CHRISTOPHER H. SMITH (R-NJ): Thank you very much, Mr. Chairman. Mr. Chairman, the administration properly rejects the notion that U.S. workers can't effectively compete with Mexican workers. I happen to believe on a fair playing field, and I know Secretary Bentsen echoed this, U.S. workers can and do indeed outwork, outproduce anyone in the world, and I think we're very fortunate in this nation that this is the case.

But I think the issue of productivity, the caliber of the U.S. workforce, isn't the issue at all, and to raise it in this debate is somewhat diversionary.

The issue of concern is the impact, the magnetic impact that a \$1.00- an-hour wage has on U.S. corporations, Japanese corporations, German corporations and others who would locate their plants south of the border.

You know, there are two studies that come to mind. Recently Chairman Obey of the Joint Economic Committee on October 25th issued a report in which he said the Joint Economic Committee report concludes that even with all of their limitations, a fair assessment of the studies finds potential negative economic impacts from NAFTA. Specifically, the Joint Economic Committee report finds that there could be potentially significant gross job dislocations of 500,000 or more over a period of five to ten years. The AFL-CIO in one of their task force reports points out that several economic studies that account for increased capital flows to Mexico project a net job loss in the United States of as many as 550,000 jobs over the long term as a result of NAFTA. More importantly, all economic studies show significant additional job dislocation resulting from NAFTA.

My question -- and I have two questions. One -- the first would be to Secretary Bentsen. Do you agree with that 500,000 job loss figure in terms of dislocation, people losing their jobs in a way directly attributable to NAFTA? Exactly what does the administration want to do to try to help those people? I have a number of people in my district who have been at manufacturing jobs the entirety of their life, working in auto parts and working in other manufacturing jobs, highly paid, good jobs, who are in their 50s, who, when they come and they talk to me, they say, "Chris, what am I going to do? Where do I go now? How do I get retraining, and where will these so-called new jobs be, in our state or perhaps anywhere else?"

My second question would be to Secretary Christopher. Picking up on what Mr. Rohrabacher had pointed out, we do seldom get the opportunity in this kind of forum to address you. Mr. Lantos and I, Mr. Markey and Mr. Wolf recently issued a report card on the issue of MFN for China, on a whole host of issues -- the human rights issue, the fact that gulag labor continues unabated. U.S. attempts to try to get into these gulags for on-site inspections to verify or to dispute whether or not they are using political prisoners and human rights activists to produce these materials for export to the U.S. have been rebuffed by the Chinese. In every category, whether it be population control and the continued unabated use of forced abortion in China -- that is one of the criteria, I know, for MFN -- and then you look at other areas of human rights, religious repression, (house church ?), Protestants, Catholic bishops are flown into the gulags, and occasionally a few are let out for purposes of international appeasement.

If you could, Mr. Christopher, you know, we're at the three-month mark, point. MFN is obviously something that will be very intensely looked at next year.

Mr. Markey made a very eloquent statement with regards to the nuclear proliferation issue, that if MFN were coming up today for renewal they would lose on that point alone because they have certainly not lived up to hopes and perhaps some expectations. So on those two issues, if you distinguished gentlemen could answer.

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SEC. BENTSEN: Mr. Smith, you addressed the first question to me. Let me say, absolutely not; we don't agree with those numbers. Let me further state that the Congressional Budget Office has also concluded there'll be little short run displacement of American workers after the implementation of NAFTA. We do not believe that there will be a significant number of jobs that are lost because of a short-run increase in imports from Mexico; that that will be not significant, that we believe that job displacement, because of increases in Mexican imports, will be quite small.

SEC. CHRISTOPHER: Mr. Smith, with respect to China, as you know, the president continued MFN for China for a year, but he said that it would be reviewed at the end of the year and it would not be continued unless there was significant overall progress in the field of human rights. And that's a condition that I take very seriously as, of course, does the president.

Frankly, the progress in the first three months has been disappointing to us. I mentioned that to my colleagues in the Chinese government and I've told them that this is a matter that cannot be addressed only next April or May, it needs to be addressed throughout the year. Congress is watching this matter, and I think unless we have a substantial improvement, we will not be in a position to recommend a continuation of MFN.

One possibly positive sign is that the Chinese permitted our assistant secretary for human rights to come to China. He was able to make his points. But we're still waiting for action on their part, and it's a condition that we take very seriously and will be weighing as we go through the year. There'll be some opportunities for us to make this point at the very highest level.

As you know, one of the great advantages of President Clinton's idea of inviting all the heads of government to come to Seattle for an extra day of the APEC meeting is he'll have an opportunity to meet with President Jiang Zemin of China, and I'll be meeting again with the foreign minister. And you can be sure that we'll be addressing this point very forcefully, trying to tell them what's in their own self-interest, because I understand the feeling of the Congress on this subject. MFN is specifically conditioned on improvement in human rights, but we'll also have to weigh the other aspect of our relationship, non-proliferation and trade.

REP. HAMILTON: Mr. McCloskey?

REP. MCCLOSKEY: Thank you very much, Mr. Chairman. I guess I might -- not that I didn't plan to ahead of time -- take a cue from the example of Tom Lantos in taking the liberty, with this great opportunity, to bring up another subject. And as Secretary Christopher may know, I do have a special concern -- I'm sure many of us have a special concern about Bosnia and the Balkans.

I guess, Mr. Secretary, my concern -- I'm going to, Mr. Chairman, have about a four-minute statement here in a few moments, but my concern maybe can be best capitalized -- or capsulized, Mr. Secretary, in the reports in today's Post and New York Times. They're phrased in different ways by Elaine Shalino (sp) and Dan Williams, but I guess to paraphrase Dan Williams, whatever it was, he said that among other thing, Bosnia did not make your foreign priority -- foreign policy priority cut yesterday, that is was, I guess, in essence hard to find a priority concern in that area. And I think given, in many ways, your own noble and particularly early forthright history on this, I just find this particularly saddening.

So Mr. Chairman, starting my statement, on February 10th, three weeks after President Clinton took office, Secretary Christopher stated that this administration had to address the circumstances as it found them in Bosnia. He further stated that the administration was resolved to do so. Just last month, however, he stated that the administration, quote, "inherited," unquote, the problem.

Also on February 10th, Secretary Christopher stated that the United States', quote, "direct strategic concerns in Bosnia, including preventing the destruction of a U.N. member state by force, setting an example for would-be dictators, and fearful minorities all over the world in preventing a greater Balkan or pan-European war." When I heard those remarks, I was proud of my president, proud of this administration, proud and grateful as to Mr. Christopher and proud of my country.

Unfortunately, the administration began an about-face soon after that was slower and more convoluted than the ones in Somalia, and was abysmally shameful. During the rest of the winter and the spring of this year, the Bosnian Serbs and their backers in Belgrade carried out the worst and bloodiest offense of their terrorist campaign by

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ethnically cleansing hundreds of thousands of innocent civilians from eastern Bosnia. The first week of May, after President Clinton decided to pursue the lift-and-strike option in Bosnia, Secretary Christopher -- for whatever his valiant efforts in Europe -- returned from Europe empty-handed. Rather than pushing, though, the issue at this point, however, the administration did the opposite. It acquiesced to European objections to allowing the Bosnians to defend themselves, it signed on to the joint action program, a meaningless plan which called for safe areas that we all know -- we all know -- and two weeks ago I was in Sarajevo -- we all know that Sarajevo and the other so-called safe enclaves to this day are still not safe. In fact, 50 years after Buchenwald and Auschwitz, there are giant concentration camps in the heart of Europe.

On June 29th, because the United States declined to lobby on its behalf, the nonaligned countries' draft resolution to lift the arms embargo failed in the U.N. Security Council.

On July 21st, Secretary Christopher said this administration was doing all it could in Bosnia consistent with our national interests. The very next day, consistent with that statement, the Serbs launched one of their largest attacks ever in the 17-month-old siege of Sarajevo.

Last month, the Serbs resumed their shelling of Sarajevo and killed dozens more innocent civilians. Bosnian Serb terrorist leaders, we all know Mr. Karadzic, were quoted in the New York Times as saying that they renewed their bloody attacks because they knew after American fiascoes in Haiti and Somalia the Clinton administration would not respond.

They were right. Our only response was another warning to Milosevic. We've been warning these people, Mr. Secretary, for nearly two years, and I guess I appreciate your warnings, but I'd like to see some effect at some point. Unlike the shells raining down on innocent men, women and children in the Bosnian capital, these warnings ring absolutely hollow.

Even now, we won't lift the sieges, and I think this is very important. The U.S. and the U.N. strained even to avoid admitting there is a siege, to take necessary steps, including opening Tuzla airport, to prevent people from starving this winter.

All these things happened or are happening on the secretary's watch. The situation in Bosnia stopped being an inherited problem in January '93. Since then, several hundred thousand Bosnians have been driven out of the country or into internal exile, thousands of innocent civilians have been murdered, tens of thousands of ill-equipped Bosnian soldiers have been killed because we won't arm them, thousands more women have been raped as a systematic campaign by the Bosnian Serbs.

The administration continues to profess -- I have about another minute, Mr. Chairman -- continues to profess that it wants a negotiated solution to this war of aggression even if it means dismembering the sovereign U.N.-member state of Bosnia. It also says this is a tragic, complex situation with no easy answers. We all want a negotiated solution. We all know perfectly well that it's tragic and that nothing will come easily in addressing the crisis, but these are empty posturings in the administration's grievously inadequate foreign policy. Hundreds of thousands of lives hang in the balance as we say we support the enlargement of democracies and do little more.

Genocide is taking place in Bosnia, and I think it's very important -- Mr. Christopher knows this, but Secretary Christopher won't say so. On at least two occasions of which I am aware, State Department lawyers and representatives of other relevant bureaus have recommended that he state this publicly, but we still do not have an answer. That request was first made publicly and in writing about 200 days ago.

Mr. Chairman, I won't go on. I appreciate the time. But when the history books are written, we cannot say that we allowed genocide because health care was a priority. We cannot say that we allowed genocide because the American people were more concerned with domestic issues. History will record, Mr. Secretary, that this happened on our watch, on your watch, that you and the administration could and should have done more. I plead to you, there are hundreds of thousands of people that still can die.

The people of Sarajevo are being besieged. One weekend about ten days ago, some 2,000 to 3,000 shells or more came down --

REP. HAMILTON: Will the gentleman -- (off mike)

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REP. MCCLOSKEY: One moment. The situation is even worse, as you know, Mr. Secretary, in the outer areas of Bosnia. We have to do something. The winter comes on every day. This is November 2nd (sic). I plead for you and the administration to make a more aggressive -- to take a more aggressive interest in this.

Thank you very much, Mr. Chairman.

REP. HAMILTON: The time of the gentleman has expired. The secretary should respond.

SEC. CHRISTOPHER: Mr. McCloskey, you and I have got a fundamental difference of opinion on this subject. At rock bottom, you would be willing to put hundreds of thousands of American troops into Bosnia to compel a settlement satisfactory to the Bosnian government. I would not do so. I don't think our vital interests are sufficiently involved to do so. I don't see any point in our debating this subject further. You and I have discussed it several times in this forum. We have got fundamental differences of opinion. I do not believe that we should put hundreds of thousands of troops into Bosnia in order to compel a settlement.

I'd go on to say, Mr. McCloskey, that it seems to me that your very strong feelings on this subject have affected adversely your judgment on other matters.

REP. MCCLOSKEY: I have a right to reply to that very briefly, in one sentence, Mr. Chairman.

REP. HAMILTON: Mr. Rohrabacher.

REP. DANA ROHRABACHER (R-CA): Mr. Secretary, not to belabor the point that I made in the beginning, but if you were here more often it'd be a better chance for an exchange like that. And these type of exchanges, the American people deserve to hear that. We discussed it with you once at this forum, and we've heard today discussions on Russia, we've heard discussions today on the most favored nation status for China. We need to see you here more often so the American people can hear the dialogue and make up their own minds rather than having to have the type of exchange we just did. With that stated -- again -- about, you know, when we talk about most favored nation status for China, it emphasizes again the relationship between diplomacy and economics, as we have with Secretary Bentsen here today, again emphasizes that, you know, we have economics and diplomacy going hand in hand. What I'd like to ask you is that what role has the Department of Commerce played in this issue today? I mean, is the Department of Commerce playing a major role in this whole issue of free trade with Mexico?

SEC. BENTSEN: Yes, they are. They're playing a substantial role. The secretary of commerce had his involvement in it also, obviously.

REP. ROHRABACHER: Right.

SEC. BENTSEN: We have a trade ambassador, and he plays the lead role.

REP. ROHRABACHER: Okay. What role did Secretary Brown -- and I ask this to Secretary Christopher. What role did Secretary Brown, the Secretary of Commerce, play in the decision that led to the easing of the embargo on Vietnam?

SEC. CHRISTOPHER: None at all, as far as I know. I don't remember his involvement at all. We've taken -- the president's taken two decisions with respect to Vietnam this year, and I don't recall Mr. Brown's involvement in those decisions, Mr. Rohrabacher.

REP. ROHRABACHER: Have you ever had a conversation -- since the election of 1992, have you ever had a conversation or a communication in any form from Secretary Brown concerning the easing of the embargo on Vietnam?

SEC. CHRISTOPHER: Not that I recall, and I think I would recall if I had had that conversation.

REP. ROHRABACHER: Why do you believe that in an issue of such importance as this, a major economic decision by the administration, that the secretary of commerce played no role whatsoever in that decision?

SEC. CHRISTOPHER: Essentially this is a decision that's focused on the question of POWs and MIAs. The president has made it clear that he does not want to proceed with respect to any kind of more normal relations with Vietnam until he's satisfied that there has been --

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REP. ROHRABACHER: The economic considerations on our domestic economy are not a factor in whether or not we're going to lift the embargo on Vietnam?

SEC. CHRISTOPHER: Mr. Rohrabacher, the president has indicated that on this one issue, that until there's an acceptable performance on the POWs and MIAs, that he will not proceed to normalize relationships. This is one issue where his strong feeling about POWs and MIAs and the families that care about them is overriding in his mind.

REP. ROHRABACHER: The economic -- really, frankly, it strains credibility to suggest that economic considerations of what lifting a major trade embargo would have on the United States, that that domestic consideration isn't even part of the process.

SEC. CHRISTOPHER: Well, they're certainly been part of the process. The president has simply decided to give priority to, at this stage, to seeking assurance on the other. Secretary Bentsen has been in the meetings, where I have as well, and certainly the economic case has been presented, but the president is determined to get satisfactory compliance with respect to the POWs and the MIAs. I must say the government of Vietnam seems to be cooperative on this subject at the present time.

REP. ROHRABACHER: Well, I think the fact that Secretary Bentsen has been part of the decisionmaking but Secretary of Commerce Brown has not leads to questions of why the secretary of commerce has not been part of these discussions.

Let me also add to this point, because I've got one minute here, or less than a minute, that I am disturbed that the human rights component in the decisionmaking is not as large a component in the decisionmaking process as well as our economic considerations in dealing with Vietnam and other issues, like Most Favored Nation status with China, like our relationships and the decisions we have to make about Bosnia. These things are not -- the human rights component is not that heavy a part of the decisionmaking process.

Excuse me, I'm not being really articulate here, but I think human rights should play a higher priority. And I don't believe that in the Vietnam decision, that human rights and -- the human rights of the people of Vietnam and the political prisoners there has played any role at all.

And now you're telling me the domestic role in terms of how this will affect our domestic economy has played very little part of the decision-making process of this very important decision.

SEC. CHRISTOPHER: Let me say two things. First, human rights are always a consideration and always will be, as far as I'm concerned, but it's only one part of the equation and you have to take into account our overall strategic interests as well. But I can assure you that there's very strong advocacy for human rights on all of these issues.

Let me say again what I said in connection with the normalization of our relationship with Vietnam or lifting the embargo. I do not recall myself Secretary Brown having played any role in connection with the decisions in those matters. Now, the Commerce Department clearly does have an interest in increasing trade with Vietnam, but the president happens to, in this case, have decided that primacy would be given to the POW and MIA issues.

Perhaps Secretary Bentsen would answer in a different way. I just happen to say that from my own recollection, this matter has been handled in terms of diplomatic issues, and I've met with the leaders of Vietnam and encouraged them to improve their performance on POWs and MIAs as a way to lead to a possible lifting of the embargo. But I'd like to give Secretary Bentsen an opportunity to respond because he would have seen the thing from the economic side of the case.

SEC. BENTSEN: Well, I think you've stated the president's views very well, Mr. Secretary.

REP. ROHRABACHER: Secretary Bentsen, did you ever have a conversation or communication of any kind with Secretary Brown concerning lifting the embargo in Vietnam since the election of 1992?

SEC. BENTSEN: Well, I'm trying to think back. I don't recall any communication. I think I have spoken on the point of the importance of trade to him and what competing nations are doing.

REP. ROHRABACHER: The subject of Vietnam never came up?

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SEC. BENTSEN: No, that's just what I'm talking about --

REP. ROHRABACHER: So you did have a conversation --

SEC. BENTSEN: -- the importance of trade in Vietnam. I don't remember the details of it, but that I did speak to the point of the French and the Japanese developing markets there and our difficulty in doing so. I did that.

REP. ROHRABACHER: And what was his reaction?

SEC. BENTSEN: I wouldn't try to detail his reaction. It was a very limited conversation. I think he acknowledged my concern insofar as the competition and what they've been able to do there, but it was quite a limited conversation.

REP. ROHRABACHER: Did Secretary Brown indicate support on his side for the easing of the embargo on Vietnam?

SEC. BENTSEN: No, I can't say that.

REP. HAMILTON: Mr. Brown?

SEC. CHRISTOPHER: Mr. Rohrabacher -- Mr. Chairman, could I add?

REP. HAMILTON: Certainly.

SEC. CHRISTOPHER: I want to be very careful because my credibility and my word is very important to me.

I cannot be positive that Mr. Brown was not in a large meeting that I might have attended on Vietnam. I'll let you know if that turns out to be the case. I don't remember his ever having made a point about this, and I would tell you if I did. This issue has been discussed in diplomatic terms, but primarily in terms of the POWs and the MIAs. But I want to make sure that my credibility is in good stead with you, and I'll let you know if --

REP. ROHRABACHER: So, we leave this with Secretary Bentsen having had a conversation about the embargo in some way --

SEC. BENTSEN: Very limited conversation.

REP. ROHRABACHER: Very limited conversation. And with Secretary Christopher suggesting that Secretary Brown may well have been in some meetings, but he's not sure.

SEC. CHRISTOPHER: But I don't remember his -- any conversation with him about the subject. I don't remember his making a point, but he may have been in larger meetings on the subject. I wouldn't rule that out.

REP. ROHRABACHER: Okay. Thank you.

REP. HAMILTON: Mr. Brown.

REP. SHERROD BROWN (D-OH): Mr. Chairman, I yield 30 seconds of my time to my friend from Indiana, Mr. McCloskey.

REP. FRANK MCCLOSKEY (D-IN): Thank you, Mr. Brown.

I just want to have a brief space in the record, Mr. Chairman, to say that as the secretary well knows I have basically from day one supported the administration's options as to lift and strike. Obviously, I wish they were more successful, but I have never called for or endorsed ground troops, to say nothing of hundreds of thousands of troops. And it's important to me that the record reflect that.

Thank you. I yield back my time.

REP. BROWN: Secretary Christopher, let's try a novel approach and talk about the North American Free Trade Agreement for a few minutes. I'd like to talk about your free trade pact with a government that decidedly is not very free. I would expect you to say that things are getting better in human rights in Mexico. You would expect me as an opponent of this agreement perhaps to say that things are not getting better with human rights in Mexico. Let's listen for a moment to a couple of groups that I know you have a great deal of respect for.

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Amnesty International said, "The bottom line in Mexico is the persistence of human rights violations and the persistence of impunity for human rights violators. In our assessment, human rights violations persist in large numbers and the impunity for human rights abusers continues to be the norm rather than the exception."

America Watch, another human rights -- respected human rights group, said, "Violations of core political rights, freedom of expression, freedom of association, freedom of assembly and the right to vote, are a pervasive problem in Mexico."

Amnesty International asks rhetorically, "Where are the public pronouncements in the Clinton administration on the current human rights situation in Mexico?" And going even further, Ambassador Jones recently in Investors Business Daily heaped praise on the Salinas regime and on its record of democracy.

You spoke about a favorable trend. You said don't look at what's going on in Mexico, but look at the trend in Mexico with human rights. I ask you, is it a favorable trend that 28 journalists have been murdered during the Salinas regime? There were 33 murdered in his predecessor's -- under his predecessor, so maybe things are slightly better.

The murders of labor leaders that have taken place during the Salinas regime?

The assassination of PRI political opponents that have taken place during the Salinas rule?

Is it a favorable trend that never has a government official or a police official been indicted and convicted during the Salinas rule? In fact, Amnesty International said not one police officer has ever been convicted under the 1986 federal law to prevent and punish torture, not in its original or in its modified version.

Is it a favorable trend when this ruling party has been in power for six decades, yet only three out of 64 members of parliament belong to an opposition party? Granted, that's better than the Conservatives in the Canadian Parliament, but nonetheless, three out of 64 isn't too impressive.

That the Salinas government has refused to allow monitoring of elections in 1994, especially in light of what happened in the 1988 elections when lots of Mexicans think the election was stolen?

That Salinas called on wealthy businesspeople to contribute \$25 million each to his political party? That Televisa, from which 90 percent of Mexicans get their news, wanted to give \$75 million to Salinas' party? And when Senator Hollings conducted his hearing, kind of discussions with the Mexican people during that time, Senator Hollings was cut off by that television station?

No one in this government, no one in the administration and the CIA, anywhere, that can speak about Aristide in Haiti, but they won't speak out about Salinas? The CIA won't talk to Congress about Salinas and any of those political problems, any of those democratic problems, any of those murders, won't say if there's any kind of link between Salinas and those murders. The administration won't talk to the American people about that same issue.

You're asking us -- you're saying, the administration over and over says that we need NAFTA to lock in the economic reforms in Mexico. Does that mean that NAFTA will lock in the current corrupt political structure in Mexico? Why don't you tell the American people a little more about Salinas? And if you, in fact, know of evidence linking Salinas with any of this, why Salinas has tried not -- has not tried to stop it, why Salinas -- why there has been no punishment of government officials or of police officials in Mexico for these kinds of human rights violations and these kinds of murders?

SEC. CHRISTOPHER: Mr. Chairman, the questions to me today seem to be fairly uniformly in the form of speeches, and this was another one. But I would simply respond by saying that Mexico has created a National Commission on Human Rights, which is proceeding to try to achieve improvements in this area. There have been significant electoral reform. As I said, 12 with a 15 -- 12 to 15 million people are now governed by the opposition party, 180 of the 500 members of the lower house of the parliament are now opposition members. There are reforms taking place in Mexico.

There are also reforms in the judiciary, which is formally independent but has lacked independence in the past. I have never made a case that this was a perfect system. There are certainly abuses. But I am -- I do feel strongly

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that the trend is in the right direction. None of the statements that you read, Congressman, I think were comparative.

REP. BROWN: Mr. Secretary, I didn't read those statements, I was talking. But that's all right.

SEC. CHRISTOPHER: Well, you -- I didn't mean that -- I knew you were talking. The statements that you attributed to Amnesty and other organizations I think were not comparative as to the past, they were simply descriptive as to the present. And the point I was making is that I think that our judgment, the judgment of our human rights officers and the State Department is that the trend is positive, and I think that positive trend will be encouraged rather than discouraged by the approval of NAFTA.

REP. HAMILTON: Mr. Menendez --

REP. BROWN: Mr. Secretary -- may I -- Mr. Chairman, may I follow up real briefly? This is no speech, it's a simple question --

REP. HAMILTON: Mr. Brown, we have a number of members that have not had an opportunity to question. The chair has been very lenient on the amount of time he's permitted members, including yourself. Let me go to the members that have not had an opportunity --

REP. BROWN: Fine.

REP. HAMILTON: -- and we'll try to get back to you.

Mr. Menendez?

REP. ROBERT MENENDEZ (D-NJ): Thank you, Mr. Chairman.

Good morning, Secretary Christopher, Secretary Bentsen.

SEC. CHRISTOPHER: Good morning.

REP. MENENDEZ: Secretary Christopher, I have very deep respect for you and your work, but I'm honestly disturbed by your presentation today in terms of the NAFTA issue. I'm still on NAFTA, not on other issues. And I'm disturbed because as I hear your presentation and read it -- I read it again -- it seems to set up those who would be against NAFTA, for very valid reasons, to put them in a position or try to paint them in a position of being responsible for difficulties with Mexico, for difficulties with our Latin American brothers and sisters, in fact, to paint a series -- and would in the future really pose a very difficult question in my mind of giving fast track authorization, because what in essence seems to have been done here is you get fast track authorization, no amendments possible, and then you portray all of the reasons -- GATT, our relationships with Mexico, our relationships with Latin America, undermining the president's hand. Well, when you do all of those things, in essence what you have painted is a scenario in which you cannot win; members who disagree cannot win. And so maybe we should not be giving fast track authorization in the future for other rounds like this because the way that it's been painted is very, very -- for me, very alarming.

And secondly, on the issue of human rights, which, Mr. Secretary, I have time and time again taken to heart your original presentation before this committee, which said that there are three pillars of foreign diplomacy under this administration, and one of them is human rights.

Now, if there are three pillars, I assume that when one of them collapses the other two to a large degree as well -- and you said it's only part of the equation. Yet the fact of the matter is that in Mexico we have a situation in which -- and you'll read -- you didn't say this, but the inference is that human rights will suffer if there is no NAFTA. What a terrible idea, that human rights in Mexico will suffer if there is no NAFTA. It should be proceeding forward whether there is or is not a NAFTA.

And with reference to the idea that there is electoral reform, let me quote Andrew Reading (sp), the director of the North American Project of the World Policy Institute, who has a different view of electoral reform in Mexico, basically saying that what it's doing is providing a semblance of pluralism while actually reinforcing one-party rule, and he goes through a description here that I went through with your assistant secretary for human rights. And basically where the PRI has, in essence, by this device -- actually the president prevails one way or the other,

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ensuring his partisans a greater than two-to-one majority on the council and complete control of the electoral bureaucracy.

But I think what is even more important is the experience of Secretary Bentsen -- and I admire his frankness -- in response to the chairman's question of "Can we negotiate another NAFTA?" And Secretary Bentsen said, "Well, just see what the PRI does." (Speaks in Spanish.) That means "Who are they going to by finger choose?" Not the public, not the people of Mexico. (Speaks in Spanish.) Who are they going to choose by finger to be the next president of Mexico. That is some statement. A true one. I personally agree with Secretary Bentsen. They will by finger choose who will be the next president of Mexico. That to me is not the embodiment of that pillar of foreign policy in this administration in which we say that we want to promote democracy and human rights.

And let me just say for those who say we shouldn't be talking about this as it relates to a trade agreement, the EC made certain thresholds for countries to be able to come in. Democracy, human rights, labor standards: all of those were thresholds that had to be included before you got the key to the club.

It's appropriate that NAFTA's going to come before the Congress at Thanksgiving. In my view it's the biggest turkey that has come along in the 10 or 11 months that I've been here, and I think the best gift we can give the American people on both truly stating our human rights policy and on a whole host of labor issues -- but since this is the Foreign Affairs I wanted to talk about foreign affairs issues. But on a whole host of labor issues the best thing we can do is make sure we don't vote for it and give people a reason to be thankful on this Thanksgiving.

SEC. BENTSEN: Could I get into this fight just a little bit, Mr. Chairman, because he made a reference to me. That's true, I did -- "a quien se pone el dedo," but that meant to be the nominee of the party and then subjected to the people in a presidential election.

Let me further state that I think that economic issues and political issues can go side by side in the way of reform. And I think what you're doing in this situation, as you develop this kind of an economic alliance, that you help build a middle class in Mexico. And they want these reforms, and they'll be able to push toward those reforms, and I think that assists it. I see the Mexican government doing an unprecedented thing for them, spending a billion dollars on a voter identification system. I've seen President Salinas reverse a long-standing policy against allowing foreign groups to conduct exit polls. So there are changes taking place.

Mr. Secretary?

SEC. CHRISTOPHER: Congressman, let me reply to the first part of your comments. My job is to try to help protect the vital interests of the American people. I took an oath to do that. And when I come up here to testify, I have that in mind. We are where we are. And I told with you as much sincerity as I can muster that I think that the rejection of NAFTA would have an adverse effect on American interests. It would affect our relations with Mexico, it would affect our relations with Latin America, it would affect our credibility in the world as a whole, and it would be a step back toward isolationism. That's part of my job to tell you what I think about that. I'm not trying to frighten anybody. I'm certain that nobody who is elected to Congress, as you were, would not understand that arguments are made pro and con. But it's my job to tell you what I think about that, and I think it would have a very adverse effect on our foreign relations and would be a bad thing for the United States.

I think on the other question that you asked, I've asked and answered that a couple of times, and I think we probably ought to get on with the discussion.

REP. HAMILTON: I might say to my colleagues here that I understand the secretaries have to leave at 12:00 noon. So we have three other members that have not participated and we want to give them the opportunity to do so.

Mr. Payne? REP. DONALD PAYNE (D-NJ): Thank you very much. I think that this debate does seem to be more foreign policy than economics. As a matter of fact, in the recent Foreign Affairs, November/December '93 issue, it talks about the NAFTA debate, "The Uncomfortable Truth About NAFTA: It's Foreign Policy, Stupid," is the name of the article by Paul Kruegman (sp). And I do think that when we hear about five reasons that we -- five -- I came to hear about why we should adopt NAFTA.

But as my colleague that preceded me mentioned, the whole speech by our secretary talked about what happens with the rejection. It was almost surprising to me, because I was looking at what happens if we approve it.

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But I wanted to say very quickly that the question of wages is something that is disturbing to us, those of us who live in inner cities. We've seen the erosion of jobs, especially in the Northeast. They've gone away, continue to go away, and we don't see where NAFTA will have any way of turning that around. They say they will bring in high skill jobs in the future and that will be positive for the U.S. But when our only policy in the U.S. currently is a \$20 billion approval last night in the U.S. Senate to build a whole lot of new jails and more policemen rather than dealing with some of the root causes of violence in this country, we can build 40, \$100 billion worth of jails; that's not going to solve the problem. When we don't have anyone talking about substandard housing and poor education and the lack of job opportunities in inner cities, it's foolish just to continue to invest in building more. The crime bill is 20 billion additional for new policemen and new jails. That's absurd. If we took 20 billion and tried to change the way the lives of people are, perhaps we could come up with some solutions.

But let me just say that higher wages in the United States supports a higher standard of living. Wages in Mexico are held down through government policies. NAFTA will continually have a pressure on wages in the United States. And secondly, the U.S. is currently dealing with Mexico with the general systems of preference -- the GSP - which sets off low tariffs, as you know, by giving these preferences to the developing countries. But also with the GSP it gives the right of workers to unionize, to bargain collectively, and to strike. By the approval of NAFTA, it excludes these worker's rights from dispute resolution. And so therefore after NAFTA would go in, it would take away those preferences that the GSP gave to the workers of Mexico.

Thirdly, it will in some estimations increase immigration in the short run because Mexican farmers will be pushed off their land for the industrialization and the building, and there is a feeling that it will not decrease immigration, but that it will cause an increase by farmers coming over.

And, finally, there is no funding for NAFTA. We'll lose \$3 billion in tariff revenues annually. There are some estimates that it will cost \$30 to \$40 billion to put this in place, and the federal government will have to pick up, of course, a good portion of that tab.

These are just a few reasons that make me feel that to approve NAFTA simply will be going in the wrong direction. And those are questions really. It wasn't a speech.

SEC. BENTSEN: Congressman, I think you point out some very serious concerns in our country. One of the things that disturbs me is I think we have developed a first-class world economy, competitive economy. When I attended the G-7 meeting in February in London, I was the freshman of all the finance ministers. Ten months later, I'm the second most senior. And it's because of the problems we're seeing around the world today and the structural unemployment. We've got it here too, but not as bad as we see it in Europe. And one of the reasons is that we adjust better in this country.

But my concern is, as we develop that world-class, first-class economy and become -- which is a rather amazing thing -- the engine of growth, I see negative growth in Europe. I see negative growth in Japan. I attended a Bildeburg (?) meeting in Evian, France three years ago, and I listened to a Frenchman who got up before us and he said, "What a change is happening in this world. The Cold War is over, and now I'm seeing the ascendancy of Europe as a world leader and the ascendancy of Japan as a world leader and the decline of the United States." That isn't the way it's worked out.

But the other part of that problem, and you make it, is that within our country, we're also developing a third world economy, and that's what disturbs me. The very point you're making. But this administration is trying to address that one. When you look at the earned income tax credit that has been passed, passed in the budget, that is an enormous, enormous transfer of income to low-income people, to encourage them to hold jobs and be able to keep jobs, not go on welfare.

One of the most significant things that's happened in the way of legislation addressing that. I watch the community development banks and what we're doing there and trying to assist and some of the things that we have done to try to be sure that minorities and low-income people are addressed with that one. That may be part of the problem why it's in trouble right now legislative-wise. And then I watched what we did with the NAD Bank and the side window to try to address some of those low-income areas that might be affected by NAFTA. So we're sure trying to address that problem of yours, and I think that it has to be, and we'll continue to do it.

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But I think also that creating more jobs in this country has to help our overall economy so we can afford to address and do the things that have to be done in the way of -- not just job retraining, because a lot of those people don't have jobs now, but trying to create jobs, and try to do the information dissemination to find those jobs, because a lot of our job training programs have really not been very productive in the past. So I sure share your concerns.

SEC. CHRISTOPHER: Mr. Chairman, let me respond very briefly to Mr. Payne's comments.

Mr. Payne, I appreciate your having listened to or read my statement well enough to know that I did point out five problems that would be created by the rejection of NAFTA. The last half of my statement was devoted to that, and I think that's part of my job.

But I think the point I'd like to make to you is that those are not purely negative statements. In each instance there is and up side with the approval of NAFTA to match the down side that would come with the rejection of NAFTA. For example, approval of NAFTA would clearly improve our relations with Mexico for years ahead. On the second point, I think approval of NAFTA would clearly improve our relations with the rest of Latin America. The rest of Latin America is looking forward to trade agreements not exactly like this one but comparable to this one. And I think we need to give encouragement to that trend so this whole hemisphere becomes an open trading bloc, has the kind of vitality that other regions of the world have.

I think that -- to take another one of my negatives -- certainly approval of NAFTA I think would be a reassurance to the world that the United States is going to participate, that we're not going to shrink into isolationism.

So the only point I wanted to make, Mr. Payne, is to thank you for listening to my remarks, and also to say that I think each of the down sides that I point out has a reciprocal up side if NAFTA is approved.

REP. HAMILTON: The chair would point out that we have two others: Mr. Fingerhut and Mr. Faleomavaega. We'll have to conclude with that. Several members were interested in a second round, as was the chairman, but we have to respect the time of the secretaries, and I'm sure both of them would be happy to return upon request.

Mr. Fingerhut.

REP. ERIC D. FINGERHUT (D-OH): Thank you, Mr. Chairman, and thank you to both secretaries for being here today. I would add, since the subject has been raised, that as a new member of Congress I've been quite amazed at the extraordinary level of access I've had to both of you gentlemen and your departments in these ten months to get questions answered and issues raised.

Let me try and just take my time to do what I imagine you expected, and that is to ask questions: one for each of you. And they've both been touched on in different aspects, but perhaps I can reiterate them in some regard.

To Secretary Christopher, both Mr. Menendez and Mr. Payne have recently pointed out the stress that you have made in your statement and, frankly, that is coming from the administration in general as an argument for NAFTA, and that is the consequences if NAFTA loses. And, in fact, I'm looking at the op-ed page of the New York Times, and Anthony Lewis has a similar piece in the paper today. Knowing what a statesman and a patriot you are, what I'd like to ask you is in the very real possibility, the real likelihood that NAFTA is not approved by this House, what diplomatic initiatives you have in mind to address some of these very real concerns that, in fact, you have raised today.

And to Secretary Bentsen, you in your opening remarks reiterated something that I think President Clinton has said that has a great deal of merit, and that is that NAFTA has not only in its own terms but also in broader, symbolic way come to be the vehicle in which a lot of the concerns of working people in this country have come to be expressed. You visited my district and you saw first-hand the very strength of concern on the part of particularly those people who work in our manufacturing sector on a day to day basis. These are the people whose jobs have in many cases already left. And their concerns, quite frankly, are wanting to know when it is that our government -- the government of the United States -- is going to develop tax policies, trade policies, and other policies that quite frankly say to those businesses who have been supported for so long in our communities that if you stay, you invest here, you hire our workers, you pay good living wages, and you contribute to our communities that we will reward you, we recognize this is a two-way street, but that if you leave, if you cut and run, if you take the easy way out to

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chase low-wage opportunities or other regulatory or tax incentives, that we will not reward that indeed, we may well punish that.

When can we say to them we have those kinds of policies so that the broader questions that have come to be associated with NAFTA might be alleviated? Both Mr. Secretaries.

SEC. CHRISTOPHER: Mr. Fingerhut, I am one of those who believes that NAFTA will prevail. My conversations with members of Congress, which I've had a number of in the last few days and over the last several weeks, indicates to me that the tide is turning and that NAFTA will prevail. I hope that's true, and I'm going to continue to work as hard as I can to achieve that result. I don't think it would be useful to talk about any contingency planning that we might have if it does not prevail. All I can say is that it will create very serious diplomatic problems for us if it does not prevail.

SEC. BENTSEN: Congressman, I would say that what we're looking at is a situation where NAFTA is certainly not creating the loss of low-wage jobs. We have lost some, without a question. Most of them have gone to Asia. And I don't think that by itself NAFTA precludes that. But I do think it creates additional net jobs to us. I do think it's awfully important that we say to those people of lower income here that with an investment tax credit, we make it easier for you to remain at work and not take welfare jobs. I think --

REP. FINGERHUT: You recognize that most of these workers we're talking about, while the earned income tax credit I think most of us feel was a significant advancement for true low-wage workers, we're talking about people who, hopefully, have been earning and have, in fact, been earning above that level but are being forced down to that level because of the loss of these jobs.

SEC. CHRISTOPHER: All right. Let me speak to that point more specifically, then. One of the things also that we have proposed from Treasury and we have worked on, and that is for those companies that leave and go to other areas and that develop passive income and do not pay for the taxes that they have on the income that they have increased in those areas, that that be refunded in taxes to see that they do not have that kind of a benefit where they escape taxes. Those are some of the positive things that we've done in that regard.

What we're also talking about insofar as -- when you talk about expanding trade, that creates jobs, that means more of those kind of jobs are available to us, and those are jobs that pay about 12 percent more than jobs that just sell to the domestic market. You have a net increase in exports. You know, our toughest competition right now is not from low-wage countries, it's from Japan.

And their wages are 30 percent higher than ours. That's the toughest competition we have. And we have to meet that head on with increased productivity, and we're doing it.

REP. FINGERHUT: I'd love to continue this dialogue. I know I'm going to be cut off. But that begs the question of what are the policies of the Japanese government with respect to their businesses that tell them that they can pay high wages and be competitive because of the industrial policies of that country. I'd love to have that discussion when we have more time.

SEC. BENTSEN: Well, I'd like that. Thank you.

REP. HAMILTON: Mr. Faleomavaega.

DEL. ENI F.H. FALEOMAVEGA (D-AM. SAMOA): Thank you, Mr. Chairman.

I would like to personally offer my personal welcome to both Secretary Christopher and Secretary Bentsen for our hearing this morning. I apologize for not being earlier in your testimonies. I do have one question for both secretaries, if I may, Mr. Chairman.

One of the first things that I learned coming here to Washington is that if you need a friend, get a dog. (Laughter.) And I did get one.

SEC. BENTSEN: (That is from ?) Harry Truman.

DEL. FALEOMAVEGA: And I got one. I have a boxer. You know, I go at night and I talk to him and he barks back at me and we have a very good communication system worked out here.

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To Secretary Christopher, I'm not exactly clear on our foreign policies in terms of how it's been categorized in the list of priorities, as has probably been mentioned before. But I do have a sense of apprehension, and this apprehension is reflected in the fact that two days ago, this full committee voted on a very important issue that I think the president wanted us to give him that sense of approval. And the vote was 21-22. And it so happens that perhaps my little vote may have counted in some respects. But the point I'm making here is the fact that we've done a noble cause in saving 400,000 lives in Somalia, and now we're putting a deadline saying that March 31, we're going to pull out, it's almost like saying we're saving 400,000 lives and then all of a sudden we're going to pull out and feed 'em to the dogs, if you'll excuse the expression. I'm concerned about that.

And I'm also troubled by the fact that, if the accounts are correct, despite repeated requests from the chairman of the joint chiefs of staff to the secretary of defense for armored vehicles and assistance to help with the situation in Somalia, which, as a result, because the Pentagon refused to provide these vehicles, it cost us 18 lives of the finest fighting men that we know in our armed services. And that troubles me.

Now, I don't have -- I'm not an expert, certainly, on foreign policy, but there is another trend that seems to be coming up recently, is that we now have regional czars appointed. Whenever something happens, someone is appointed to cure this problem. What's happening? Do we have enough assistant secretaries or we don't have enough ambassadors or somewhere along the line with the administration? I just kind of want a clarification and assurances from Secretary Christopher if we can have some assurance that our policies in Somalia and Haiti are firm; we know what we're doing; there's no bickering between NSC and the Department of Defense and the secretary of state; and that there will be one person speaking on behalf of our president as far as foreign policy is concerned.

To Secretary Bentsen: is it fair that we should portray the Japanese as somewhat of a bogeyman or a monster, saying that if NAFTA is not approved the Japanese are going to go -- I think it's very unfair, because is it just the Japanese that are going to be taking advantage of this opportunity? Nothing to say about the French or the British or the other European countries that may also want to participate in the trade efforts? After all, we are promoting free enterprise and a free market arena. I just wanted to -- I think it's unfair that we point out just the Japanese as the monster that is going to benefit if NAFTA is not approved, and I just wanted to ask for responses from our witnesses.

Thank you, Mr. Chairman.

SEC. CHRISTOPHER: With respect to Somalia, I think President Clinton was under great pressure to remove our forces in a very short period of time. Some talked about by nightfall, others said within a month, others said by Christmas, and I think it took a good deal of courage on President Clinton's part to push back and say "No, we're going to permit the troops to stay there for six months so they can provide for a reasonable transition, a reasonable opportunity for a political settlement, and a reasonable opportunity for other nations to come in and to fill the gap."

The United States has certainly done its part. We have pulled our oar there. There were 26,000 American troops in Somalia when I came into office. So I think the decision the president took was a well-balanced and wise decision to leave our troops there long enough so there could be a transition.

With respect to the request for armor, I'm going to have to, I think, wonder about some of the facts you state. I understood there was one request. And I think it's -- this is not entirely a question for me to answer, sir, but I'm not sure it's entirely fair to impute the loss of those lives to that single decision. The general in charge of the area said very forthrightly that the absence of the armor had nothing to do with the failure of the mission. It was a military mission that went wrong at the very last minute. And as I say, others would be better to answer this than I because it's a different department than mine. But I think I ought to say to you that I think that it's an unfair imputation to suggest that that decision resulted in the loss of American lives because the general who was in charge of the matter said otherwise himself.

You've asked a number of different questions. Let me just address the question of what you called regional czars.

I would have to say that I think it's a very useful technique to have task forces in charge of various areas.

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It enables a group of people to concentrate on them. I think the peace team that we have in the Middle East under coordinator Dennis Ross and Assistant Secretary Djerejian have done an outstanding job. And it is because this group is dedicated to that particular project. I think Strobe Talbott and his group, working on the new independent states, have done a better job than we would have done if we had proliferated responsibility for that. Now that all has to come up to me finally and to the president for decision, but I think we -- I think it's a very good technique, and I think we ought to use it more to affix responsibility on some people who follow one job -- I mean, one particular issue predominantly. And I frankly would intend to use that technique more rather than less in the past because my responsibilities are so broad that I need to have somebody in whom I have confidence who is working on that single issue.

I think I've addressed enough of your questions. I'll have to give Mr. Bentsen a chance to comment.

SEC. BENTSEN: Let me comment on a couple of things, if I may, Mr. Chairman, because you quoted that quote of Harry Truman's -- "if you want a loyal friend in Washington, get a dog" -- that's a pretty cynical comment, really, and I knew Harry Truman. (Laughter.)

But let me tell you, you'll develop friends that will last you a lifetime here. This is a great institution, and it preserves the democratic process. And we get a few goats in the crowd, but every group does. But I'm awfully proud of this Congress.

Now let me state -- let me state that when you make the comment about Japan bashing, I was very careful on that one, and I said -- and I read from my statement, "Japan and Europe have strategies for capitalizing on regional trade, but like the EC and Europe, we must have a strategy for our own backyard." I go on and talk about who will be banging on our doors -- the Europeans and the Japanese. I repeat it every time when I talk about the Japanese who are tough competitors and the Europeans who are tough competitors. I speak that in admiration. That's the kind of competition we have and that's what we have to take on. And I think where they have the advantage in Europe is they bring the EC together and create that enormous market. And as we have seen the Japanese and the Chinese make the headway they have in that exploding market in Asia, we in turn have the edge here.

That's what I'm talking about.

REP. HAMILTON: The gentleman's time has expired.

Mr. Leach for a final comment.

REP. LEACH: Well, Mr. Chairman, I just wanted to make the observation that we live in a very risky world and very thoughtful people are making very thoughtful decisions and that we've got to learn that mistakes are going to happen or accidents occur and that they don't always reflect on the judgment of individuals in terms of the resignation issue. And I personally would suspect that, if the secretary of state had made another decision on Bosnia, he'd have more calls for resignation than the one that is currently being made. But, having said that, on behalf of the minority, I would truly like to say that the minority in Congress is very respectful of these two gentlemen that are appearing before us and that we have a great deal of confidence in their ability and judgment.

And I would finally -- I mean, I just want to end with the one question that I think -- and not pose it as a question -- that was asked, that I think you're going to have to spend a lot of attention to, and that is, what does happen if NAFTA doesn't go down? Because, frankly, it looks like that's a decent possibility. And I would only suggest that the linchpin of a strategic response ought to be the ironical circumstance that is not understood in the rest of the world, and that is that Congress is likely to become more, not less committed to the GATT process in the NAFTA comes down. And that ought to be articulated immediately and as strongly as possible if that circumstance develops.

But, in any regard, I'm sorry to take more than 15 seconds, but I want to just commend a fine performance from fine men. Thank you.

REP. HAMILTON: Thank you, Mr. Leach.

Mr. Secretaries, it's been a high privilege for us to have you here this morning. We've appreciated your testimony. You've contributed to our knowledge of a number of different subjects. And the committee stands adjourned.

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END

Classification

Language: ENGLISH

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Company: NORTH AMERICAN FREE TRADE AGREEMENT (94%); NORTH AMERICAN FREE TRADE AGREEMENT (94%)

Organization: NORTH AMERICAN FREE TRADE AGREEMENT (94%); NORTH AMERICAN FREE TRADE AGREEMENT (94%)

Industry: TREASURY DEPARTMENTS (77%); PUBLIC FINANCE AGENCIES & TREASURIES (68%)

Person: CHRIS SMITH (78%)

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