

# Farmers want to nip plan in bud

## Say Mexico profits if Texans perish

MONDAY APR 8 1991  
This is the second of three reports examining a proposed free trade agreement linking the United States and Canada with Mexico. Today: Economic aspects.

By JOHN GRAVOIS  
POST WASHINGTON BUREAU

WESLACO — Citrus farmer Donald Thompson doesn't know much about President Bush's vision of a new world order, but he knows he'll have the same problem with it as lots of other South Texas farmers — he won't fit in.

The only saving grace Thompson sees in Bush's plan to maintain U.S. trading clout around the world by forging a free trade agreement with Mexico is that the pact would take about 10 years to phase in.

"Maybe by then I'll have enough in the bank to retire anyway," Thompson said.

Public and private studies have consistently shown citrus farming will be among the hardest-hit sectors of the U.S. economy, with dozens of farms shut down and hundreds of jobs lost if a free trade agreement is reached. California, Florida and Texas would be the most-affected states.

The studies agree that practically all labor-intensive industries will suffer at least a small setback under free trade due to the availability of large amounts of cheap labor in Mexico.

The effect of the losses on the overall U.S. economy is



THE COSTS OF  
FREE TRADE

# TRADE: Texas farmers say they don't fit in to plans with Mexico

From A-1

expected to be negligible initially and ultimately overshadowed by modest gains in other economic sectors. For example, while small fruit and vegetable growers would lose business, larger grain farmers would gain because Mexican agriculture doesn't have the resources to compete with U.S. agribusiness.

However, when Bush talks of free trade, he refers to the big picture, the one in which it's critical to create a North American free trade zone for the United States and its neighbors to remain competitive with Japanese and European economic superpowers.

The United States already has a free trade pact with Canada, but making it a three-way deal would create a mega-market of 360 million people with an annual economic activity of \$6 trillion. And a stronger, more competitive North America is in the best economic interest of all Americans, maintains Bush, insisting that free trade will be a "win-win" situation for the whole continent.

"The bottom line is simply this: We have before us the opportunity to expand growth and prosperity for all Americans. We can look at it selfishly, (or) we can look at what's in the best interests of the American people," Bush said recently.

But Thompson has trouble focusing on the big picture because he's part of the small picture of glossed-over losers. "My feeling today is that the president is willing to sacrifice certain people in order to make better relations with Mexico," he said.

American Agriculture Movement president Johnny Porch of Brownsville was even more blunt in a recent news conference in Washington.

"The complete deregulation of agricultural trade amounts to the intentional destruction of rural American communities," Porch declared.

There's no question it will be all

but impossible for small farmers to compete with farms in Mexico if now-restricted U.S. markets are opened, Thompson said.

He stressed the disparity in wages and regulations with Mexico: Farm workers here generally get 10 times or more the 40 cents an hour Mexican farm laborers are paid, and the farmers across the border are hounded much less by government regulators than their U.S. counterparts.

"It costs us each hour as much as it costs them for a whole day to work a man. They don't have liability insurance. They don't have workers' compensation. They don't have Texas Department of Agriculture pesticide licenses," Thompson said.

"The only salvation for people like me is to go to Mexico or South America or someplace cheaper and raise fruit there," he added.

Studies leave little doubt free trade would be far more beneficial to Mexico than to the United States.

An analysis prepared by Washington-based KPMG Peat Marwick for the U.S. Council of the Mexico-U.S. Business Committee concluded that U.S. job losses and gains will balance each other out while more than 1.4 million new jobs could be created in Mexico.

The study projected that real income in the United States would rise only .04 percent while going up 4.64 percent in Mexico.

Labor groups have expressed fear that U.S. wages would drop due to the wide wage discrepancy between the nations; overall Mexican wage rates now are only one-seventh of U.S. average pay. They also are concerned thousands of jobs would be lost.

"The trade agreement proposed by the administration will not benefit either country. It will encourage greater capital outflows from the U.S., bring about an increase in imports from Mexico, reduce U.S. employment and further harm the U.S. industrial base," the AFL-CIO

claimed in a position paper.

"As this country moves deeper into a recession, these problems will only grow in seriousness," the union added.

But a U.S. International Trade Commission study agrees with the Peat Marwick finding that any losses will be offset. The ITC report also acknowledges ultimate benefits to the U.S. economy will be small because Mexico's new reform president, Carlos Salinas de Gortari, already has removed many trade barriers between the nations.

Still, as U.S. Trade Representative Carla Hills continually reminds Congress, discrepancies exist as Mexico's average applied tariff is about 10 percent compared with the U.S. average of 4 percent.

According to the Peat Marwick report, what Hills fails to tell Congress is that the gap is much narrower when the effect of U.S. import quotas is factored in. The effective U.S. combined tariff rate actually is about 8 percent compared with Mexico's 11 percent, the study determined.

Surveying the situation sector-by-sector, Peat Marwick concluded that U.S. industries likely to lose business under free trade include paper, animal products, wholesale and retail trade, lumber, mining, communications, construction, hotels and restaurants, tobacco, fruit and vegetable farming, sugar refining, textiles, apparel, furniture and electronic components.

Winners would include optical instrument manufacturing, machinery and heavy equipment, chemicals, rubber, plastic, processed food products, motor vehicle parts, iron and steel, petroleum refining, utilities, finance and insurance and general business services.

Various studies indicate the effect of slower border retail sales will be most acutely felt in Texas and California. El Paso, Brownsville and other border cities now enjoy the benefits of having Mexicans buy millions of dollars worth of goods each year on the U.S. side

of the border because quality consumer products are in short supply in Mexico.

That would change under free trade.

However, Robert Gonzales, president of the Brownsville Economic Development Council, said U.S. retailers will be affected with or without free trade because Wal Mart is about to open shop in Mexico. "It's going to happen and it's got nothing to do with free trade," Gonzales said.

El Paso retailer Johnny Salom, who has a shop just two blocks from the Mexican border, said retailers shouldn't sit around sulking about what will happen under free trade because that will guarantee defeat.

"What we've got to do is get out and compete. If we offer better products at good prices, we'll still get business. I'm a strong advocate of competition. I think making us compete could be the best thing that would happen to us," Salom said.

And if trying to keep up by simply maintaining his existing business on the U.S. side falls short, "I can always use free trade to my advantage by setting up my own shop in Mexico," Salom added.

Jose Reyes Ferriz, a Juarez, Mexico, resident who teaches international commerce at the University of Texas at El Paso, agreed, saying, "The winners will be the competitors, and the losers will be non-competitors."

Reyes and others wonder what would be wrong with the United States losing some low-tech jobs to Mexico in the first place. They argue that U.S. workers would be better off in the long run if they switched from low-paying jobs like textiles and apparel to higher paying high-tech pursuits.

"People must realize you cannot keep a job paying \$8 or \$9 an hour when it's a job anybody can do. The United States should focus on selling Patriot missiles and such. The best missile we can make in

Mexico probably has a rubber band attached to it," Reyes said.

Conversely, Mexicans are more adept at making apparel. "Everybody, my grandmother included, in Mexico makes great suits. It's not a high-tech field," he said.

Congress, which ultimately would have the final say on free trade, has been closely watching the winner-loser situation and has put the administration on notice it won't back any proposal unless there is a net benefit for most, if not all, Americans.

Hills has reassured Congress in numerous hearings that she sees her responsibility as doing "what is best for America and to prevent these negotiations from becoming a one-way street."

Hills said the administration will not let free trade turn into a "give-away program" to benefit Mexico.

"Mexico must be fully prepared to give and not simply take. Mexico will be expected to deal and deal seriously," she said.

Some critics have said it's folly to pursue free trade with Mexico because the nation is generally impoverished, with only a relative handful of its more than 81 million residents having the buying power to purchase U.S. goods and services.

Hills has disputed that, claiming, "Mexico is our fastest-growing major market for U.S. exports. U.S. sales to Mexico are double those to either Korea or Taiwan; three times those to Hong Kong; four times those to China; five times those to Brazil."

"And I think significantly," she added, "Mexico imports \$295 of goods per person (per year) — that's \$30 more per person than the European Community."

But Mexico has evolved as a major trading partner only since 1986, when it joined the international General Agreement on Tariffs and Trade coalition. Since then, U.S. exports to Mexico have more than doubled, jumping from \$12.4 billion to more than \$28.4 billion a year.

More than \$10 billion worth of last year's U.S. exports to Mexico came from Texas.

Mexico is now the United States' third-largest trading partner.

Another concern is that U.S.-Mexico border crossings will be unable to smoothly handle the extra 10-15 percent increase in bridge traffic expected to result from free trade.

"Those facilities are already strained to the limit," said Texas Sen. Lloyd Bentsen, a Democrat from Mission near the border. "It can take 45 minutes to cross from Matamoros, Mexico, to Brownsville, Texas — and that's at 11 o'clock at night."

Border businessmen said it's not unusual to have waits up to two hours, sometimes longer, at peak times. Still, that's better than just a few years ago when waits of four to eight hours — sometimes overnight — were routine.

U.S. Customs officials have assured Congress they will increase staffing, use more automated systems and make other improvements to help speed the flow of border traffic.

Some businessmen also are concerned the flow of goods into Mexico will be hurt by the lack of adequate highways across the border.

But El Paso Mayor Suzie Azar said that problem exists on the U.S. side as well. She noted that officials in her region have lobbied heavily for funds to build a highway to link up with a planned border crossing in New Mexico, but have been frustrated by seeing the lion's share of revenue go to areas away from the border.

Under a new three-year plan by the state highway department, El Paso will get only \$19.7 million a year when it would be entitled to about \$50 million if the allocations were based on formulas that took population and other objective factors into account.

"We're all berserk. . . . The highway commission has no formula for how they give these dollars, so Lubbock is getting \$80 million a year and we're wondering why because we've got this problem of linking up with New Mexico's port of entry and we desperately need the money," Azar said.

Tuesday: Political stakes.