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REFUTING SIX MYTHS ABOUT THE U.S.-MEXICO FREE TRADE ACCORD

INTRODUCTION

The United States, Mexico, and Canada are planning to negotiate a Free Trade Agreement (FTA) that will greatly strengthen their economic and political ties. An FTA would remove such barriers to trade as tariffs and quotas and, by eliminating or weakening laws that restrict foreign investment, would make it easier for the U.S. to invest North and South of its borders.

A North American FTA will offer Americans cheaper goods, increase U.S. exports to Mexico, and make U.S. exports more affordable to the rest of the world. It also will create jobs for Americans, reduce illegal immigration from Mexico, help fight drug trafficking in Mexico, and serve as a model for similar agreements with other Latin American countries.

Something as nearly universally beneficial as the FTA should have little opposition. Yet the proposed agreement is attacked by the leaders of organized labor and environmental groups and by privileged industries like textiles that have enjoyed special government favors to protect them from foreign competition. These groups distort the facts about an FTA and are trying to spawn myths that the trade accord would harm America and Mexico. If Congress believes these myths, it could vote against the FTA with Mexico. This would impair U.S. global competitiveness, destroy American jobs, raise prices, lower the quality of U.S. products, and restrict choices for American consumers.

Economic Muscle. An FTA with Mexico is particularly important to the U.S. because, except for the Soviet Union, Mexico directly affects America's welfare more than any other country. The U.S. shares a 1,933-mile border with Mexico and is home to over 18 million Mexican-Americans. U.S. trade with Mexico has tripled since 1986; in 1990, the U.S. sold $28.4 billion of goods and services to Mexico and bought $30.2 billion from Mexico, for a total trade of $58.6 billion.

Free trade will boost the U.S.-Mexican exchange of commerce vastly. Perhaps even more important, by including Canada, an FTA will forge a great North American trading zone 25 percent larger in gross domestic product than the European Community and thus give North America enough muscle to challenge the emerging unified market in Europe and a Japan-dominated East Asian market.

In sum: A North America FTA is America's best bet for maintaining its long-term world economic leadership.

The first steps towards the U.S.-Mexico FTA were taken last year when the two countries announced plans to create a free trade area. Then Canada, this February 6, announced that it wanted to be included in the negotiations between Mexico and the U.S. The U.S. and Canada already have signed their own FTA, which began taking effect in 1989. Formal trilateral negotiations are scheduled to begin this June. The three governments expect to sign an FTA by December and present it to their respective national legislatures for ratification by next spring.

The main obstacle to this is the web of myths being spun by the special interests opposed to an FTA. Such myths include:

Myth # 1: Millions of U.S. workers will lose jobs because they cannot compete with cheap Mexican goods. Untrue. An FTA with Mexico will create, not lose, jobs for Americans. A U.S.-Mexico FTA may cost some jobs in some sectors of such labor-intensive industries as manufacturing and horticulture. But these potential losses will be offset substantially as increases in U.S. exports to Mexico add new jobs for Americans in such industries as capital equipment, high technology, and capital-intensive agriculture, and food processing.

Myth # 2: U.S. businesses investing in Mexico as a result of an FTA will be taking away the capital needed to expand U.S. industries and make them more internationally competitive. Untrue. U.S. capital flowing to Mexico will help American businesses grow because they will become more competitive against not only Pacific Rim nations like Japan, Korea, and the Republic of China on Taiwan, but against the European Community as well. The reason: U.S. companies will be able to combine the technology and highly skilled labor of America with Mexico's cheap labor and resources to cut the prices of their products in the global market. The amount of capital available to U.S. companies will grow as global demand for their products increases and their operations expand.

Myth # 3: Mexico will not be a large market for U.S. goods because most Mexicans cannot afford them. Untrue. Mexican incomes will rise with the economic growth triggered by an FTA. Mexicans then will be able to buy more U.S. goods, which today account for two-thirds of Mexican imports. Indeed, roughly 20 million Mexicans already can afford to buy U.S. goods.

Myth # 4: With an FTA, U.S. companies will move to Mexico to avoid strict U.S. environmental and labor safety standards, causing the loss of American jobs. Untrue. U.S. and Mexican environmental and safety standards are roughly equal. U.S. companies are moving to Mexico primarily to take advantage of lower labor costs.

Myth # 5: An FTA would undermine human rights in Mexico because the treaty would strengthen the authoritarian central government. Untrue. An FTA will move Mexico toward a stronger democracy and social stability by providing the majority of Mexicans with jobs in industries not controlled by the government. The world has learned that economic freedoms and political freedoms are closely related. Democracy has not flourished in Mexico in part because the central government systematically has denied its citizens economic power independent of the state. Under the pressures of the international free trade to be unleashed by an FTA, state control of the economy will decrease as private industries grow. As economic freedoms grow, so too will political freedoms.

Myth # 6: An FTA with Mexico would increase the flow of illegal immigrants into America. Untrue. The economic growth stimulated by an FTA will encourage Mexicans to stay home where jobs are being created. Lack of an FTA, by contrast, keeps the Mexican economy weak, prompting great numbers of Mexicans to head north in search of work.

The U.S. Congress should not be fooled by the myths fabricated by the FTA's opponents. If the FTA is not approved by Congress, U.S.-Mexico trade would grow slowly at best, inhibited by Mexican tariff laws and investment barriers. Without an FTA, the U.S. would lose a potential 80 million-person export market for its goods, and face no prospect of halting or even slowing the influx of illegal immigration of Mexicans into the U.S.

SIX MYTHS ABOUT FREE TRADE WITH MEXICO

Myth # 1: Millions of U.S. workers will lose jobs because they cannot compete with cheap Mexican goods.

Some leaders of organized labor, environmental organizations, and heavily protected industries like textiles and steel claim that an FTA with Mexico would allow cheap Mexican labor to take away American jobs. In fact, cheap labor from underdeveloped countries not only can strengthen the American economy, but will produce more U.S. jobs. Most U.S. jobs today are created in high technology industries, like computer sciences, aviation, and medicine. This has been possible because since World War II the U.S. has allowed Third World countries to sell cheap, labor-intensive products to U.S. consumers, freeing up U.S. capital for investment in high technology industries.

While Mexicans mainly are semi-skilled and unskilled workers in agriculture, light manufacturing, and electronics assembly plants, the U.S. work force is made up largely of semi-skilled and highly skilled workers in high technology and services industries. The average hourly rate for manufacturing jobs today is $1.90 per hour in Mexico compared to $14.50 per hour in the U.S.[1] Because of this difference in wages, Mexican companies will be able to compete directly with U.S. companies that employ highly paid, unskilled and semi-skilled labor once tariffs, quotas, and investment barriers are eliminated. America should welcome this competition. It will force inefficient U.S. industries to invest in more high technology and services industries, like telecommunications, aerospace, and computers. Since U.S. companies are most competitive in high-technology and services industries anyway, the economic incentives created by the FTA will boost the very industries that are creating most of the jobs for Americans.[2] To be sure, competition from some low-cost labor companies in Mexico may harm some U.S. labor-intensive companies in the horticulture, textiles, and a few other industries and some of those that assemble electronic and automotive components.

Boosting Competitiveness. Charles Vanik, Counselor for the free-trade group Coalition for North American Trade and Investment, has described how a U.S.-Mexico FTA would create jobs and boost competitiveness in high-technology industries. He told the Subcommittee on Trade of the House Ways and Means Committee on June 28, 1990:

> The key to an abundance of high-wage jobs is to maintain technological leadership, develop the best-educated workforce, and invest worldwide to stay competitive. The true source of job security is a profit-making firm. A firm that's making profits can accumulate capital and make the investments needed to sustain the more productive, better paying, high-skilled jobs that yield a rising standard of living.[3]

Vanik correctly suggests that America's competitiveness is in developing industries that employ skilled labor. The U.S. economy created close to 20 million new jobs in the 1980s, mostly in such skilled-labor industries as banking, capital equipment manufacturing, computer technology, insurance, transportation, and telecommunications. High technology and services-related jobs now account for 76 percent of the U.S. labor force.[4] According to Department of Labor studies,

1 Rudiger Dornbusch, "It's Time to Open Up Trade with Mexico," *Challenge*, November-December 1990, pp. 52-55.

2 United States International Trade Commission, "The Likely Impact on the United States of a Free Trade Agreement with Mexico," Investigation No. 2353, February 1991, p. 2-1.

3 Testimony of Charles A. Vanik, Counsel for North American Trade and Investment, to the Subcommittee on Trade, House Committee on Ways and Means, June 28, 1990, p. 2.

4 Lois M. Plunkert, "The 1980's: A decade of job growth and industry shifts," *Monthly Labor Review*, September 1990, p. 3.

the fastest growing job sectors during this decade will be in computer technology and services, which will account for 16 million of the estimated 20 million in new jobs by the year 2000.[5] These industries will benefit most from an FTA. The reason: Mexico does not have a developed high technology industry that can compete with America, and as Mexico grows economically it will need many of the services U.S. high technology industries can provide. American firms, in turn, will benefit as Mexican companies import U.S. computers, telecommunication equipment, and other advanced technology products and services.

Benefits to Labor. While the gains in high technology service jobs will help the U.S. economy, the loss of some jobs in labor-intensive industries will not greatly harm it. According to the Department of Labor, manufacturing, the sector most protected by U.S. tariffs and quotas, accounts for only 23 percent of America's gross national product, and employs only 18 percent of the U.S. labor force.[6] The great majority of the U.S. labor force thus is unprotected and will benefit from an FTA.

The experience of the 1980s teaches that protecting industries not only harms the economy, but ends up losing jobs for those industries. For example, steel quotas in the 1980s raised the price of domestic steel and made U.S. steel products more expensive at home and abroad. Since U.S. manufacturers that use steel could not buy cheap raw steel from abroad, their end products were costlier than those made by foreign competitors who could buy the cheap steel. The result: The U.S. manufacturers lost sales and then some 52,400 jobs were lost in U.S. steel-related industries.[7]

Some of the poorest American workers in the U.S., like those in food services and custodial jobs, will not be harmed by an FTA, as some critics fear. There will not be a mass flow of Mexican immigrants into the U.S. once an FTA is underway. Increased trade under an FTA will improve Mexico's economy, encouraging many Mexicans to seek work at home instead of in the U.S. If more Mexicans stay home to take advantage of new opportunities caused by economic growth, more jobs will be available for Americans in food services, construction, and custodial jobs.

Myth # 2: U.S. businesses investing in Mexico as a result of an FTA will be taking away the capital needed to expand U.S. industries and make them more internationally competitive.

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5 George Silvestri and John Lukasiewicz, "Projections of occupational employment, 1988-2000," *Monthly Labor Review*, November 1989, p. 51.

6 Plunkert, *op. cit.* p. 14.

7 Arthur T. Denzau, "Can Trade Protection Save Jobs?" Center for the Study of American Business, April 1987, p. 5.

Critics of an FTA with Mexico often charge that free trade will drain America of badly needed capital. Organizations like the AFL-CIO point to the experience of the *maquiladora* program. Under this program U.S. companies send components, like electronic and automotive parts, to assembly plants in Mexico. The finished product is then sold in the U. S. Labor groups argue that U.S. capital going to these industries prevents American companies from expanding their operations.

To be sure, an FTA would cause a dramatic increase in U.S. investment in Mexico, currently valued at $7.1 billion, by eliminating Mexican laws that limit foreign ownership in Mexican industries.[8] An FTA, for instance, likely will require the Mexican government to allow not only American banks access to Mexican financial markets, but more American investment in petrochemical industries.

However, this U.S. investment in Mexico will not mean a cutback in U.S. industrial growth. Contrary to arguments of organized labor, U.S. companies do not have a fixed amount of capital. Capital is attracted to companies that are competitive. If U.S. companies invest in Mexico by moving part of their operations there they will be able to produce more globally competitive products by combining low-cost labor with high-technology U.S. labor. This competitive edge will allow them to expand their operations in the U.S.

Creating Jobs. One sign of expanded operations is the creation of new jobs. For example, U.S. companies criticized by the AFL-CIO for investing in the *maquiladora* program have expanded industries and created jobs in America. Since the 1960s the *maquiladora* program has created 100,000 American jobs in direct export-related industries as these industries expanded their operations. Even in non-border states like Illinois and Michigan jobs have been created in the manufacture of components such as automobile parts that are then shipped to Mexico for assembly.

Several hundred thousand more jobs in export support industries like food services, real estate, transportation, and warehousing have been created in the border states of Arizona, California, New Mexico, and Texas, where trade has increased dramatically because U.S. companies invested in plants in Mexico.

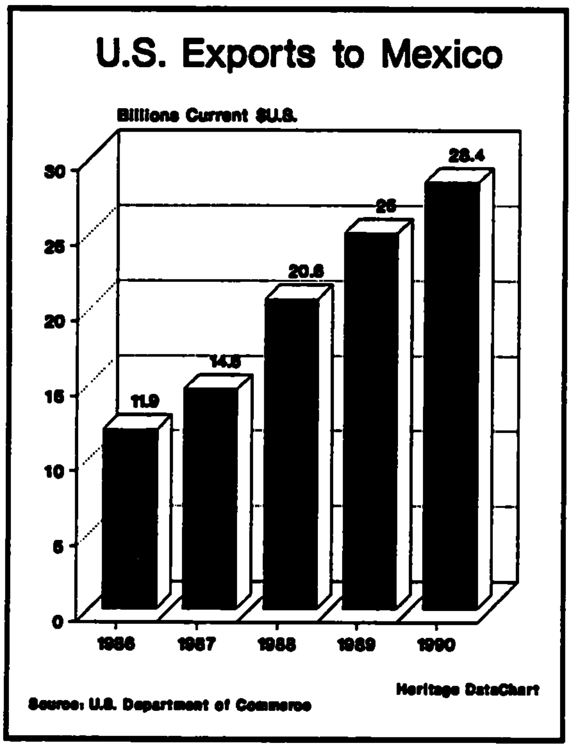
FTA opponents seem not to realize that U.S. companies prevented from investing in Mexico will do so in distant Third World countries. This has an effect quite different from investing in Mexico. When American companies transfer part of their operations to Mexico, most of their work force stays in the U.S., particularly in administration, sales, warehousing, capital equipment and components manufacturing, and management. By contrast, when U.S. industries locate their operations in distant Asia or Europe, the U.S. firms typically do not supply their

8 U.S. International Trade Commission, *op. cit.*, p. 1-7

subsidiaries with capital equipment, warehousing, and administration personnel. This is usually done by foreign companies closer to the factories. Without a U.S.-Mexico FTA, Mexican laws that restrict U.S. investment in Mexico will stay in force. Thus U.S. companies seeking cheaper labor will invest further from home and American jobs will be lost as entire operations, and not just part of them, are moved abroad.

Myth # 3: Mexico will not be a large market for U.S. goods because most Mexicans cannot afford them.

FTA critics argue that American firms will not benefit from an FTA because the income of most Mexicans is too low to buy relatively expensive American products. They cite the fact that per capita income in Mexico today is roughly $2,032 compared to $16,709 for America. The discrepancy in income is so great, they argue, that U.S. export industries will find inadequate purchasing power in Mexico and thus little market for their goods.



Increased Imports. FTA critics who see Mexico's low per capita income hindering U.S. exports fail to recognize other factors that make Mexico a good U.S. export market. Removing Mexican trade barriers like quotas, tariffs, and investment restrictions can greatly increase U.S. exports to Mexico. For instance, in spite of Mexico's low per capita income, U.S. exports to Mexico have increased dramatically beginning in 1986 because the Mexican government has lowered tariffs and quotas since that year. Mexico in 1988 passed Germany to become America's third largest trading partner (after Canada, the largest trading partner, and Japan). U.S.-Mexico trade reached $58.6 billion in 1990.

U.S. exports to Mexico have grown during the past five years without any increase in per capita

GNP in Mexico. This increase in exports has meant more jobs for U.S. export industries. The Department of Commerce estimates that for every $1 billion increase in U.S. exports, 22,800 jobs are created in the U.S.[9] From 1986 to 1989 over 300,000 jobs were created in the U.S. export industries because of the increase in exports to Mexico. The value of U.S. exports to Mexico in this period grew from $10 billion in 1986 to $28.4 billion in 1989.

Another factor overlooked by FTA opponents is that Mexican per capita income will increase because of the economic growth spurred by an FTA. As their incomes increase, Mexicans will buy more U.S. goods. Trade between the U.S. and underdeveloped countries since World War II demonstrates how, as an underdeveloped nation's per capita income rises, it imports more goods. Japan had a per capita income of $960 in 1960 and imported only $4 billion in goods. In 1989 Japan's income was $22,800 per capita and it imported $209 billion in goods and services, $43 billion of which came from the U.S.[10] Taiwan now buys $11 billion in imports from the U.S., and South Korea purchases $13 billion of U.S. goods. These countries bought practically nothing from the U.S. two decades ago, when they were as underdeveloped as Mexico now is. An FTA will help raise Mexican per capita GNP so that it too can buy more imports.

Benefits of Proximity. Another factor FTA opponents overlook is that Mexico's proximity to the U.S. has helped U.S. export industries in the past and will help them even more under an FTA. Today Mexico buys over two-thirds of its capital equipment from the U.S. An FTA would strengthen this export trend because American industries would supply most of the capital equipment and investment for the modernization of Mexico's factories, highways, and telecommunications systems. In contrast, Asia and Europe bought very little U.S. capital equipment during their economic growth. Asian and European, not U.S. companies, over the past thirty years supplied most of the capital equipment, investment, and technology for industries in Asia and Europe.

As Mexican per capita income rises, Mexicans will buy a much larger percentage of their consumer goods from the U.S. than do Asian and European countries. American product name recognition is extremely high in Mexico. Some 65 percent of Mexico's imports already come from the U.S., and experience teaches that this figure surely will rise under an FTA. For example, as tariffs and quotas for many goods such as cars, clothing, and food were eliminated in Mexico during the past three years, Mexicans doubled their imports of U.S. goods.

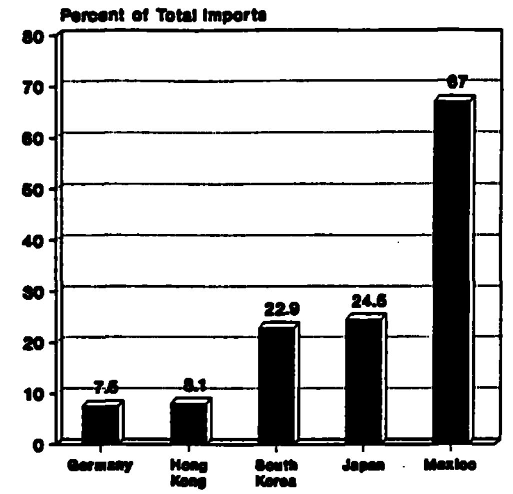
In contrast, Hong Kong buys only 8.1 percent of its imports from the U.S., Japan buys 22.9 percent, and Germany only 7.5 percent. Hong Kong has increased its exports to the U.S. by $14 billion since 1979, but has increased its im-

9 Lester A. Davis, "Contribution of Exports to U.S. Employment, 1980-1987," U.S. Department of Commerce, International Trade Administration, March 1989, p. 6.

10 International Monetary Fund, International Financial Statistics Yearbook, IMF 1990.

ports from the U.S. by only $4 billion during the same period. As these countries grew they relied on countries closer to their border for most of their imports, which meant that U.S. export industries did not win the new contracts and thus did not create new jobs. This will not happen in Mexico because of its proximity to the U.S., and Mexico thus naturally will turn to American goods and services to modernize its economy.

Purchases of U.S. Exports 1989



Heritage DataChart

Source: *Direction of Trade Statistics and International Financial Statistics Yearbook*, International Monetary Fund.

Another important reason why U.S. export industries would benefit is that an FTA would eliminate a host of specific restrictions on U.S. exports. With these restrictions removed, U.S. goods would be cheaper than they are now to Mexicans, who then could buy more U.S. goods. An FTA, for example, would require that Mexico eliminate the licensing fees that U.S. firms now pay to sell their products in Mexico. Special import licensing restrictions in Mexico, it is estimated, now reduce U.S. sales in Mexico by 20 percent. An FTA also would end laws mandating that goods sold in Mexico, like automobiles, be made from Mexican parts. The majority of U.S. exports to Mexico are in motor vehicle parts, telecommunications equipment, electronic components, processed foods, and basic grains, which today suffer from quotas and 10 percent to 20 percent tariffs. The reduction of these barriers under an FTA would make these products cheaper and more accessible to an already growing Mexican consumer market.

Myth # 4: With an FTA, U.S. companies will move to Mexico to avoid strict U.S. environmental and labor safety standards, causing the loss of American jobs.

Groups like the AFL-CIO and the National Wildlife Federation fear that lax environmental and labor safety standards in Mexico give companies based there an unfair advantage over U.S.-based firms, which must meet tougher standards. Environmental and labor safety regulations in America raise the costs to U.S. companies of producing goods and services. Labor groups argue that since American companies will not be able to compete against their counterparts in Mexico, they will move to Mexico to lower their operation and production costs.

Similar Environmental Laws. These fears are exaggerated. Mexican environmental and labor safety laws are roughly equal to those in the U.S. Before toxic wastes can be transferred across the border, for example, both Mexican and U.S. laws require a 45 day notification to the receiving country, identification of the toxic waste being transferred, and the destination of the toxic waste. Mexican environmental regulations require any company working within 62 miles of the border to comply with all U.S. federal Environmental Protection Agency (EPA) standards. Mexico's environmental protection agency, the Mexican Secretariat of Urban Development and Ecology (SEDUE), has even more power than does the EPA. SEDUE can shut factories immediately for violating environmental and safety regulations; the EPA cannot.

An EPA and SEDUE task force, meanwhile, since September 1989 has been designing ways to police environmental problems in the border region. In this program EPA and SEDUE officials train each other on enforcement methods during plant inspections in both countries. According to EPA officials working on the SEDUE/EPA project, SEDUE enforcement is comparable to the EPA's.[11] Example: SEDUE last year temporarily closed several U.S. businesses in Tijuana, Mexico, that violated SEDUE environmental and safety standards. One unnamed U.S. company operating in the Ciudad Juarez, Mexico, was fined $70,000 for noncompliance of a SEDUE regulation.[12]

Where environmental enforcement problems along the U.S.-Mexico border do exist it is because the SEDUE program is so new, not because of Mexico's lack of commitment to enforcing environmental laws. Many Mexican industrial cities, for instance, do not have enough environmental inspectors. Still, environmental and labor safety enforcement in Mexico has improved under the government of President Carlos Salinas de Gortari. He has said, "along the border, we are introducing strict penalties for polluting companies. In this, we are acting decisively."[13] To prove this, Salinas boosted the SEDUE budget 200 percent from last year to this year. SEDUE has plans, moreover, to add 50 to 150 inspectors in industrial cities like Guadalajara, Mexico City, Monterrey, and Tijuana. This continuing improvement in environmental and labor safety enforcement reduces the incentives for American companies to move to Mexico to escape U.S. standards.

Myth # 5: An FTA would undermine human rights in Mexico because the treaty would strengthen the authoritarian central government.

Critics charge that an FTA with Mexico would strengthen a governmental system with a history of electoral fraud, police brutality, and corruption. Human rights organizations such as Amnesty International, Freedom House, and

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11 Telephone interviews with officials of U.S. Environmental Protection Agency.

12 Telephone interview with Ron Pettis, Chairman of the Environmental Working Group of the Border Trade Alliance, December 3, 1990.

13 "A New Hope for the Hemisphere?" *New Perspectives Quarterly*, Vol. 8, Winter 1991.

Americas Watch, as well as several Mexican political opposition groups such as the *Partido Accion Nacional* (PAN) and the *Partido Revolucionario Democratico* (PRD), have reported a history of civil and human rights violations by Mexico's government.

These groups and reports by and large are correct in their complaint about the non-democratic characteristics of Mexico's political system. This has begun to change since Salinas took office in December 1988.

Salinas Reforms. He has launched a dramatic economic and political reform campaign. He has arrested drug traffickers and corrupt union leaders and has begun reforming the Mexican bureaucracy, prosecuting officials for taking bribes and retraining anti-narcotics police units to ferret out corruption. He also has backed changes to make the electoral laws more democratic. No longer will officials from Salinas's ruling Institutional Revolutionary Party (PRI) be able easily to stuff ballot boxes. The new electoral code, which will takes effect before the federal elections in August 1991, allows any opposition party access to the registry to check its accuracy.

An FTA will accelerate these democratic changes by boosting free market reforms. Already, the planned privatization of the government owned paper company *Productora e Importadora de Papel S.A.* (PIPSA) and the lifting last April of government control over the sale of newsprint has made the press more independent from the government. Now the government no longer can intimidate the press, as it has since the 1930s, by withholding newsprint. The result: a much more open and critical press. Now *El Norte*, a daily newspaper in Monterrey, and such publications as *MIRA*, *Proceso*, and *Jornada* routinely criticize Salinas and his government.

Toward Greater Democracy. Free market and political reforms in Mexico since 1986 have strengthened and supported the progress of each other. One American trade negotiator, who wished to remain anonymous, explained how an FTA would guarantee faster movement toward democracy.

> Mexico has the form of democracy but not the substance.... Mexico might not be a functioning democracy in the Western tradition, but it is not a brutal military country either.... Political freedom and economic freedom go hand in hand. Rising expectations [in Mexico] will create demands for change by creating a system that fosters change.[14]

An FTA will put tremendous pressure on the government to allow the underground economy to operate legally. The reason: An FTA will open the Mexican

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14 United States International Trade Commission, "Phase II: Summary of Views on Prospects for Future United States-Mexican Relations," Investigation No.332-282, October 1990, p. 1-4.

economy to international competition. To survive in an increasingly competitive international market, Mexican businesses will pressure the government to simplify tax laws, reduce excessive regulation, and make credit more easily available through the marketplace. This in turn will encourage the so called "informal sector" to seek legal status. An estimated 30 percent of Mexico's gross domestic product is produced by small and medium businesses that work in the "informal sector" – a part of the economy that operates outside the law to avoid the severe bureaucratic restrictions, regulations, and taxes that exclude it from the mainstream economy. This informal sector, combined with small and medium businesses in the formal sector, account for 80 percent of Mexico's work force.

Growth in the informal sector and among small to medium sized businesses will enrich the middle class. The middle class in Mexico has been politically powerless because it has had little economic independence from the state. Middle class economic success will create a foundation upon which a true democratic system can stand, in the same way a large middle class formed the foundation for a strong democratic system in the U.S.

Myth # 6: An FTA with Mexico would increase the flow of illegal immigrants into America.

The AFL-CIO argues that an FTA will increase illegal immigration to the U.S. Labor union officials say that under an FTA, jobs along the Mexican border will increase as new industries locate to border regions. This would prompt Mexicans to move to border regions from the interior of Mexico, and make it easier for them to migrate illegally to the U.S. Union officials also believe that the rise in Mexican per capita income will enable many more Mexicans to make the costly illegal migration to the U.S.[15]

An FTA will not increase illegal immigration to the U.S. By boosting jobs and per capita incomes in Mexico, an FTA will remove the incentive for Mexicans to leave home and migrate to the U.S. in search of jobs. The root cause of illegal immigration to the U.S. is the failing Mexican economy. Illegal immigration across the border from Mexico increased from 345,353 in 1970 to 1,046,420 in 1990. Last year the U.S. Immigration and Naturalization Service (INS) apprehended 1 million immigrants at the border, a 20 percent increase from 1988. The INS estimates that 85 percent to 90 percent of illegal immigrants crossing the border are Mexicans. During the past two decades Mexicans' per capita income has dropped an estimated 40 percent. The Immigration Reform Control Act (IRCA) of 1986, by placing penalties on U.S. companies that hired undocumented workers, only temporarily slowed illegal immigration. This immigration is once again increasing – because of Mexico's deteriorating economy, especially in rural areas.

15 Contrary to popular belief, it is not the very poorest Mexicans that immigrate, but those who can afford passage across the border.

The Bush and Salinas administrations understand that the only way to reduce the illegal flow of labor from Mexico to the U.S. is to improve economic and social conditions in Mexico. Salinas stated in an interview with *New Perspectives Quarterly* in January that through economic growth "Mexicans would be able to find jobs in Mexico and wouldn't have to look for them in the United States."[16]

CONCLUSION

It is in America's strategic and geopolitical interests to enter into a Free Trade Agreement with Mexico. Political and economic instability in Mexico would increase illegal immigration and drug trafficking and decrease trade. This would directly affect the well-being of Americans. FTA opponents such as labor union officials, environmental groups, and government-protected manufacturing industries spread myths about the harm an FTA supposedly would cause both countries. These myths, if believed, could prompt Congress to defeat the FTA. This then would poison U.S.-Mexico relations, cost jobs in both countries, and decrease America's global competitiveness.

These myths fail to withstand scrutiny and analysis. Critics say, for example, that millions of U.S. workers would lose jobs because they could not compete with cheap Mexican goods. To be sure, an FTA will make consumer goods cheaper for Americans, but there will not be a net loss of U.S. jobs. An FTA will create more U.S. jobs as U.S. companies use skilled American workers to produce high-technology components and unskilled Mexican laborers to assemble products that are globally competitive.

Creating More U.S. Jobs. FTA opponents argue that U.S. capital needed to build industry at home will flow to Mexico. True, Americans will invest in Mexico. But economic growth in Mexico will create a demand for capital goods that will be mainly supplied by U.S. companies. This means more jobs in U.S. industries that produce machinery, telecommunications, computers, and other capital equipment.

Environmental groups charge that an FTA will make it easier for U.S. companies to move their operations to Mexico to avoid strict U.S. environmental and safety standards. Yet Mexican environmental and safety laws are similar to those in the U.S. These laws thus will play only a small role in the decisions of American companies to move their operations to Mexico.

FTA opponents complain that an FTA will increase the flow of illegal immigrants into the U.S., and strengthen a government system in Mexico which has a history of electoral fraud, police brutality, and corruption. But an FTA will do the opposite. It would stem the flood of illegal immigrants coming across the bor-

16 "A New Hope for the Hemisphere?", *op. cit.*

der because it would give Mexicans work in Mexico. And it would serve the causes of human rights and democracy by advancing those economic rights and freedoms which are the foundation of political freedom.

Compelling Case. Except for the Soviet Union, no other country so directly affects the welfare and security of America as does Mexico. An FTA would bind America and Mexico in a common future. A U.S. FTA with Mexico offers both countries great advantages. In contrast, problems between the two countries would grow if free trade between them is not established. For the U.S., the case is irresistibly compelling for the FTA with Mexico.

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