United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Trade, Committee on Ways and Means, House of Representatives

For Release on Delivery
Expected at
10:00 a.m., EDT
Thursday,
September 11, 1997

NORTH AMERICAN FREE TRADE AGREEMENT

Impacts and Implementation

Statement of JayEtta Z. Hecker, Associate Director, International Relations and Trade Issues, National Security and International Affairs Division

GAO/T-NSIAD-97-256

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to testify on the impact and implementation of the North American Free Trade Agreement, or NAFTA. My testimony today will focus on (1) our review of three major studies of NAFTA's economic impacts and a brief overview of NAFTA's adjustment programs, (2) the implementation of NAFTA's mechanisms to both avoid and resolve disputes among the parties, and (3) the implementation of NAFTA's supplemental agreements on environmental and labor cooperation.

My testimony is based on our past work on NAFTA issues[1] and work we recently conducted at your request. In addition to assessing a wide range of studies on the economic effects of NAFTA, we interviewed pertinent trade ministry officials in the United States, Canada, and Mexico, as well as the heads of the NAFTA Secretariat and the National Administrative Offices in each country. We obtained the views of representatives from business, labor, and environment interests in the three countries.

Background

NAFTA, which went into effect on January 1, 1994, was intended to facilitate trade and investment throughout North America. It incorporates features such as the elimination of tariff and nontariff barriers. NAFTA also supports the objective of locking in Mexico's self-initiated, market-oriented reforms. By removing barriers to the efficient allocation of economic resources, NAFTA was projected to generate overall, long-run economic gains for member countries—modest for the United States and Canada, and greater for Mexico.[2] For the United States, this is due to the relatively small size of Mexico's economy and because many Mexican exports to the United States were already subject to low or no duties. Under NAFTA, intra-industry trade and coproduction of goods across the borders were expected to increase, enhancing specialization and raising productivity. Although a substantial majority of economic studies concluded that only modest economic and employment effects were likely, NAFTA generated a

[1]See North American Free Trade Agreement: Assessment of Major Issues (GAO/GGD-93-137, Sept. 9, 1993). Also, see attached list of other related GAO products.

[2]A 1993 International Trade Commission (ITC) synopsis of 12 economic studies of NAFTA found that the likely long-term effect of NAFTA would be an increase in U.S. real gross domestic product by between 0.02 and 0.5 percent, U.S. net aggregate employment between 0.03 and 0.08 percent or by 35,063 to 93,502 jobs, and real average wages by 0.1 to 0.3 percent or by $0.01 to $0.03 per hour. For Mexico, ITC reported that the likely long-term effect of NAFTA would be an increase in Mexico's real GDP by between 0.1 and 11.4 percent, net aggregate employment between 0.1 and 6.6 percent, and real average wages between 0.7 and 16.2 percent. See Potential Impact on the U.S. Economy and Selected Industries of the North American Free Trade Agreement, USITC Publication 2596 (Washington, D.C.: U.S. International Trade Commission, Jan. 1993).

heated public debate before the agreement's passage by Congress in 1993. NAFTA critics asserted that up to 1 million U.S. jobs would be lost, while the President projected that the agreement would generate 200,000 U.S. jobs.

NAFTA also included procedures first to avoid, and then to resolve, disputes between parties to the agreement. Separately, the three NAFTA countries negotiated and entered into two supplemental agreements designed to facilitate cooperation on environment and labor matters among the three countries.

Before I get into the specifics of these topics, I will summarize our main points.

Summary

Assessment of NAFTA's effects is a complex undertaking. It is difficult to evaluate the impacts of NAFTA since the agreement's provisions are generally being phased in over a 10- to 15-year period, and it is hard to isolate the impact of the agreement from other trends and events. While recent studies by the International Trade Commission (ITC), the President, and the Economic Policy Institute offer valuable insights into the initial effects of NAFTA, in reviewing the studies we encountered methodological issues that need to be kept in perspective. Based on our review of these studies and other work, we have the following summary observations on NAFTA's impacts and implementation to date:

- While NAFTA is not yet fully implemented, U.S. trade with NAFTA members has accelerated. Estimates of changes in total trade among the member countries due to NAFTA are generally consistent with pre-NAFTA expectations. The current estimates of its impact on gross domestic product range from no discernable effect to modest gains for the United States, also consistent with pre-NAFTA long-run projections described by ITC.
- At the sectoral level, there are diverse impacts from NAFTA. Within sectors, these may include increases or decreases in trade flows, hourly earnings, and employment. Economic efficiency may improve from this reallocation of resources, but it creates costs for certain sectors of the economy and labor force, including job dislocation.
- Estimates of the agreement's impact on aggregate employment are widely divergent, ranging from gains of 160,000 jobs to losses of 420,000 jobs. We believe neither of these are reliable estimates of actual labor effects due to methodological limitations. In general, NAFTA, or broader trade policies, cannot be expected to substantially alter overall U.S. employment levels,

which are determined largely by demographic conditions and macroeconomic factors such as monetary policy.

- While there is wide conceptual agreement on the contribution of trade liberalization to improvement in the standard of living through increased productivity and lower prices, estimating the extent to which NAFTA specifically furthers these goals presents a major empirical challenge that may never be overcome. For example, there are no estimates of NAFTA's direct impact on productivity. However, growth in shared production activity and two-way trade suggests that increases in sector specialization, a mechanism through which productivity may be improved, have occurred.

One of NAFTA's objectives was to lock in Mexico's market reforms and provide long-term economic growth in Mexico, with benefits to the United States through a more stable border. Mexico's response to its financial crisis of 1994-95 and the recent agreement to accelerate tariff reductions suggest that Mexico has been committed to meeting its NAFTA obligations. The effectiveness of NAFTA in locking in Mexico's long-term commitment to market reforms and promoting Mexican economic growth, however, is not yet clear.

While data on the use of the NAFTA Transitional Adjustment Assistance program (NAFTA-TAA) provides sectoral and geographic information on potential job dislocations, NAFTA-TAA certifications should not be used as a proxy for the number of jobs lost. This is because certifications are likely to either underrepresent or overrepresent the actual number of jobs affected. For example, under NAFTA-TAA, potential job losses are not required to be linked directly to NAFTA, thus overstating the total. In addition, not all potentially affected sectors are covered by the program, thus understating the total.

NAFTA's system for avoiding and settling disputes among the member countries is a critical element of the agreement. The agreement includes mechanisms such as the establishment of committees and working groups and an early consultation process to help the parties avoid disputes. According to government and private sector officials, these mechanisms have helped the governments resolve important trade issues and have kept the number of formal dispute settlement cases relatively low. Under NAFTA's formal dispute settlement mechanisms, as of August 1997 there have been 32 requests for binational panel reviews of countries' alleged unfair trade practices, 2 requests for panel reviews of NAFTA's application, and 2 complaints regarding investment.

U.S., Mexican, and Canadian government officials with whom we met were generally supportive of NAFTA's dispute settlement process over the past 3 years, noting especially the professionalism and lack of national bias of the panelists reviewing the cases. According to these officials, changes to NAFTA members' trade laws agreed to under NAFTA, in particular in Mexico and Canada, have also helped improve the transparency (openness) of their antidumping and countervailing duty administrative processes, thus reducing the potential for arbitrariness in their application. Despite their generally positive views of NAFTA's dispute settlement process, officials and legal commentators in the three countries have expressed some concerns about delays in NAFTA's panel selection process and in the speed and cost involved in pursuing a dispute. Further, some U.S. organizations have challenged the constitutionality of the provision allowing for binational panel review of countries' unfair trade determinations.

It is too early to determine what definitive effect the supplemental agreements will have on the North American environment and labor. However, the two commissions created to implement the agreements have been acknowledged by some government and private sector officials for several positive achievements to date. Government officials in each of the three NAFTA countries we spoke with generally believe the respective agreements have positively affected their country's understanding of and cooperation on labor and environmental issues. In addition, the commissions' efforts to encourage the enforcement of domestic environmental and labor laws through the processes allowing for submissions by interested parties have been recognized. These processes are being tested with the filing, to date, of 11 public submissions on the environment and 8 on labor alleging lack of countries' effective enforcement of their environment and labor laws.

U.S., Canadian, and Mexican government officials and experts have also expressed some concerns about the agreements' implementation. For example, some government and private sector officials have cited the need for greater transparency in the Commission for Environmental Cooperation's procedures. In addition, a number of observers noted the significant difference in the levels of support for the two commissions. While the environment commission is funded at $9 million annually, the Commission for Labor Cooperation's annual budget is $1.8 million, which reportedly has contributed to problems at the labor commission in hiring and retaining staff.

Reviews of NAFTA's Impacts

The impact of NAFTA on the U.S. economy cannot be directly ascertained since changes in trade and investment also reflect other influencing factors. The results of economic analyses of NAFTA's impact on U.S. gross domestic product (GDP) are consistent with the pre-NAFTA long-run projections described by the ITC. In contrast, estimates of the agreement's impact on aggregate employment are widely divergent. Differences in the studies' assumptions and methodologies account for this divergence.

Since NAFTA's first round of tariff reductions went into effect in 1994,[3] total U.S. merchandise trade (exports plus imports) with Canada and Mexico has increased from an annual average of $269 billion (1991-93) to an annual average of $384 billion (1994-96). (See apps. I-III.) A significant factor influencing trade was the severe 1994-95 Mexican financial crisis.[4] This growth in total trade has been accompanied by an increase in the U.S. merchandise trade deficit with its NAFTA partners, from $8.6 billion to $34 billion, as import growth outpaced export growth. U.S. investment in Mexico has grown since NAFTA's implementation. From 1994 to 1996, the United States had an annual average of $3.1 billion in foreign direct investment to Mexico, compared to $2 billion from 1991 to 1993.

Recent Studies of NAFTA's Economic Impact

Mr. Chairman, let me now summarize the findings from three major reports on NAFTA's impact: (1) the in-depth June 1997 ITC study of NAFTA;[5] (2) the President's July 1997 report on the operations and effect of NAFTA;[6] and (3) a June 1997 study by some of the major critics of NAFTA.[7]

[3]At the meeting of the NAFTA Commission in March 1997, the NAFTA trade ministers announced the successful conclusion of a set of accelerated tariff reductions. Also, based on private sector interest, they agreed to initiate negotiations on additional reductions to be concluded by year's end.

[4]In December 1994, nearly a year after the implementation of NAFTA, Mexico was forced to devalue its currency leading to a serious economic crisis characterized by high unemployment, declining income and consumption, and a sharp reduction of Mexico's imports, including those from the United States. In Mexico's Financial Crisis: Origins, Awareness, Assistance, and Initial Efforts to Recover (GAO/GGD-96-56, Feb. 23, 1996), we examined the causes of this crisis and concluded that it originated in the growing inconsistency between monetary, fiscal, and exchange rate policies pursued by Mexican authorities in 1994.

[5]The Impact of the North American Free Trade Agreement on the U.S. Economy and Industries: A Three-Year Review, USITC Publication 3045 (Washington, D.C.: U.S. International Trade Commission, June 1997).

[6]Study on the Operation and Effects of the North American Free Trade Agreement, U.S. President's report to the Congress of the United States (Washington, D.C.: The White House, July 1997).

[7]The Failed Experiment - NAFTA at Three Years (Washington, D.C.: Economic Policy Institute, Institute for Policy Studies, International Labor Rights Fund, Public Citizen's Global Trade Watch, Sierra Club, and U.S. Business and Industrial Council Educational Foundation, June 26, 1997).

The ITC 3-Year Assessment

The June 1997 ITC assessment of NAFTA impacts represents the most comprehensive research effort we identified to date. Using an econometric approach, ITC sought to separate other trade-influencing factors, particularly Mexico's financial crisis, from NAFTA's impact on the U.S. economy as a whole, and on nearly 200 industrial sectors of the U.S. economy. In addition, the ITC assessment included a qualitative review of 68 aggregated sectors.

Based on all of its analysis, ITC concluded that NAFTA had a modest positive effect on the U.S. economy during its first 3 years of operation. ITC was unable to quantify a discernible effect on U.S. GDP, aggregate investment, or aggregate employment that can be attributed to NAFTA during its first 3 years. ITC concluded that NAFTA has significantly affected the aggregate levels of U.S. trade with Mexico, but not with Canada.

In its sectoral analyses, ITC found changes in trade, employment, and earnings that were due to NAFTA in a limited number of sectors. Among the nearly 200 sectors whose trade ITC modeled, U.S. exports to Mexico increased significantly in 13 sectors due to NAFTA, while no sector showed decreased exports to Mexico due to NAFTA. U.S. imports from Mexico increased significantly in 16 sectors after the effects of other influencing factors were taken into account, while U.S. imports from Mexico decreased significantly in 7 sectors due to NAFTA. In an econometric analysis of 120 industrial sectors, ITC found that 29 industries had changes in hourly earnings and employment levels. Among these 29 sectors, hours worked most often increased due to NAFTA, while hourly earnings were more often found to decrease. In their qualitative sectoral analysis, ITC industry experts found that employment declined due to NAFTA in 2 out of 68 sectors: the apparel and women's non-athletic footwear sectors. While some effort was made to address productivity impacts, ITC was unable to evaluate the direct impact of NAFTA on labor productivity in the various sectors due to data constraints. However, the indirect evidence examined by ITC suggested a positive impact on U.S. productivity in certain industries.

The President's Report

The President's report on NAFTA presents the findings of recent studies that estimate the agreement's impact. These include a commissioned DRI analysis and research published by the Federal Reserve Bank of Dallas.[8] Both studies isolate the effect of the Mexican financial crisis from NAFTA's

[8]The commissioned DRI analysis drew on a previous report—The Impact of NAFTA on Mexican Trade: An Empirical Study (Lexington, MA: DRI/McGraw-Hill, Apr. 1997). David M. Gould, "Distinguishing NAFTA from the Peso Crisis," Southwest Economy, Federal Reserve Bank of Dallas (Sept./Oct. 1996).

effect on bilateral U.S.-Mexico trade flows.[9] In contrast to the ITC effort that modeled the employment impact of NAFTA, the President's report uses a simple job-multiplier analysis that assumes about 13,000 jobs are supported for every $1 billion in increased exports.

The Federal Reserve study modeled the impact of NAFTA on U.S. bilateral trade with Mexico. They found that NAFTA has on average boosted export growth by about 7 percentage points each year since implementation, for a cumulative expansion of exports of about $5 billion through 1995. U.S. import growth from Mexico on average has been about 2 percentage points greater each year, for a cumulative impact of about $1.8 billion in additional imports.[10] The DRI assessment found larger trade effects than the Federal Reserve study. The DRI study used a model of the Mexican economy to evaluate NAFTA's impact on bilateral trade with the United States, but excluded the petroleum sector. It found that in 1996, NAFTA increased U.S. exports to Mexico by $12 billion and imports from Mexico by $5 billion. The estimated trade impacts were then applied to a DRI macroeconomic model of the U.S. economy to simulate their impact on U.S. GDP and investment. According to the President's report, DRI estimates that NAFTA contributed $13 billion to U.S. real income and $5 billion to business investment in 1996, controlling for the impact of Mexico's financial crisis.[11]

The President's report uses the export estimates from the two studies to compute NAFTA's impact on job creation. The President's report estimates that NAFTA export expansion supported between 90,000 and 160,000 jobs in 1996.[12] The President's report did not compute any employment impact from increased imports from Mexico.

Consolidated NAFTA Critique

The Economic Policy Institute (EPI) prepared an assessment of NAFTA that also used a job-multiplier analysis. This assessment was included in the consolidated critique of NAFTA. However, the EPI analysis differed from the President's report in several notable respects. First, EPI did not separate

[9]Neither study makes an assessment of the extent to which changes in U.S.-Mexico bilateral trade reflect trade diversion away from other trading partners.

[10]The Federal Reserve study reports that its estimates of the effects of NAFTA on exports and imports are not statistically significant.

[11]The DRI data that is reported in the President's report differ from the data DRI submitted to the President's Council of Economic Advisers on July 1, 1997. That submission shows that NAFTA contributed $21.2 billion to U.S. real income and $4.2 billion to nonresidential fixed investment in 1996.

[12]The lower estimate uses an extrapolation of the Federal Reserve assessment that U.S. exports expanded by about $5 billion through 1995, while the higher estimate reflects DRI's assessment that NAFTA expanded U.S. exports by $12 billion.

the impact of Mexico's financial crisis from NAFTA's effects on trade flows.[13] Secondly, to compute job losses from NAFTA, EPI applied the export job multiplier to the increase in imports rather than just to exports as done in the President's report. Also, EPI included changes in U.S.-Canadian bilateral trade in its assessment of NAFTA.

The critique concluded that the increased U.S. trade deficit with Mexico and Canada on balance has cost the United States 420,208 jobs since 1993. It states that the move to a $16.2 billion U.S. bilateral trade deficit with Mexico in 1996 from a bilateral surplus of $1.7 billion in 1993 cost the United States 250,710 of these jobs.[14] The critique also notes that the real wages of U.S. blue-collar workers has declined for almost 2 decades and suggests that imports from low-wage countries such as Mexico are an especially important cause of increasing wage inequality.

NAFTA Adjustment Programs

The benefits of trade agreements are widely dispersed, and the costs or dislocation effects are more concentrated. In recognition of the anticipated dislocation of some workers, the NAFTA Implementation Act established the NAFTA-TAA program in 1994. The program was designed to assist workers in companies affected by U.S. imports from Mexico or Canada or by shifts in U.S. production to either of those countries. The program is authorized to continue until September 30, 1998.[15] NAFTA-TAA benefits include basic readjustment services; employment services; training; job search allowances; relocation allowances; and the feature that most distinguishes the program from basic unemployment insurance, income support for up to 52 weeks after exhaustion of unemployment insurance when enrolled in training.

[13]EPI reports that the overvalued peso was related to NAFTA as it artificially reduced the price of Mexican imports from the United States, and helped win U.S. passage of NAFTA in 1993. The United States had a trade surplus with Mexico from 1991 to 1993, giving credence to that idea. DRI argues that the process leading to the start of NAFTA complicated stabilization policy in Mexico, and was in that sense a contributing factor to the financial crisis. The Impact of NAFTA on the North American Economy (Lexington, MA: DRI/McGraw-Hill, Jan. 1997).

[14]EPI estimates that from 1993 to 1996 the increased trade deficit with Canada on balance cost the United States 169,498 jobs.

[15]The United States has two other major programs to aid adjustment of workers who have lost their jobs: the Trade Adjustment Assistance and the Economic Dislocation and Worker Adjustment Assistance programs. GAO reviews of these programs as well as the NAFTA-TAA found confusion about eligibility, inadequate tailoring of services, and delays in delivery. GAO has recommended that the programs be improved and consolidated. See Multiple Employment Training Programs: Major Overhaul Is Needed to Create a More Efficient, Customer-Driven System (GAO/T-HEHS-95-70, Feb. 6, 1995); and Dislocated Workers: An Early Look at the NAFTA Transitional Adjustment Assistance Program (GAO/HEHS-95-31, Nov. 18, 1994).

As of September 4, 1997, NAFTA-TAA certifications (verification of potential job losses since NAFTA's implementation) have been issued for 1,206 worker groups in firms located in 48 states.[16] Department of Labor statistics indicate that 142,884 workers have been certified as eligible for NAFTA-TAA benefits due to (1) increased imports from Canada or Mexico or (2) a shift in U.S. production to Canada or Mexico. Of these certifications, 623 were based on a shift of production to Canada or Mexico, 380 were based on increased customer imports, 167 were based on increased company imports, and 36 were based on high and rising aggregate imports from Canada or Mexico. As shown in table 1, the top five sectors in terms of worker group certifications and the number of workers covered were apparel, electrical and electronic equipment, lumber and wood products, fabricated metal products, and industrial/commercial machinery, and computer equipment. The top 10 states with NAFTA-TAA workers covered by certifications were Texas (12,797), Pennsylvania (12,788), North Carolina (12,001), New York (11,924), California (7,773), Georgia (6,556), Indiana (6,077), Tennessee (5,786), Arkansas (5,397), and New Jersey (4,788).

Table 1: Number of NAFTA-TAA Certifications by Sector, January 1, 1994-September 4, 1997

Sector	Number of worker group certifications	Number of workers covered
Apparel	433	42,140
Electrical and electronic equipment (except computing equipment)	246	29,730
Lumber and wood products (except furniture)	158	8,280
Fabricated metal products	103	12,750
Industrial/commercial machinery and computer equipment	103	11,005
Other sectors	163	38,979
Total	**1,206**	**142,884**

Source: Department of Labor.

Because of the intense interest in NAFTA's impact on U.S. labor and the difficulty in calculating such impact, analysts have used NAFTA-TAA data as a proxy for job dislocations attributable to NAFTA. NAFTA-TAA certifications are not an accurate measure of jobs lost due to NAFTA, however, because certifications are likely to either underrepresent or overrepresent the actual number of jobs affected. On the one hand, NAFTA-TAA certifications

[16]NAFTA-TAA petitions, which can be filed by a group of three or more workers, are first reviewed by the Governor of the state where the worker's company is located. The U.S. Department of Labor makes the final determination whether to approve or deny these petitions, and issues certifications for approved petitions.

are not required to be caused by, or linked to, NAFTA—they can be due to general trade effects between the United States and Canada or Mexico. In addition, NAFTA certifications represent potential job losses, not the actual number of jobs lost. These factors could potentially lead to the NAFTA-TAA figures being overstated. On the other hand, not all categories of workers potentially affected are covered by the program (for example, some services workers). Additionally, some researchers have questioned whether employees of small, nonunionized firms are fully aware of program benefits and are thus not being served by the program. Further, workers may opt to apply for other programs, particularly given the strict training requirement for NAFTA-TAA. These factors could potentially lead to understatement.[17] While NAFTA-TAA is fully operational, little evaluation has been done of how effectively the program serves to provide retraining and adjustment assistance to affected workers.

The NAFTA implementing legislation established an additional program to deal with job dislocation effects from NAFTA: the U.S. Community Adjustment and Investment Program under the North American Development Bank. The program was designed to provide loans and loan guarantees (up to $22.5 million, according to authorizing legislation) to businesses seeking to locate or expand existing operations in communities with job losses caused by NAFTA. It was to be implemented by a program office in Los Angeles, two advisory committees, and an ombudsman appointed by the President. However, during the first 3-1/2 years of NAFTA, no loans were approved under the program. The Treasury Department issued its first designation of qualifying communities on August 1, 1997. That announcement declared 35 communities in 19 states eligible for business loans and loan guarantees.

Comments on Methodology

It is very difficult to evaluate the impact of NAFTA since the agreement's provisions are generally being phased in over a 10- to 15-year period, and it is hard to isolate the impact of the agreement from contemporaneous economic trends and other unique events. While recent studies offer valuable insights into the initial effects of NAFTA, in reviewing the studies we encountered methodological issues that need to be kept in perspective.

The estimates of NAFTA's impact on GDP derived from econometric analyses are consistent with expectations of NAFTA's long-term impact. The ITC reports that NAFTA had no discernable impact on GDP after 3 years. The President's report finds that the short-term, transitory GDP gain from NAFTA

[17]GAO is currently reviewing the scope and coverage of the NAFTA-TAA program.

was $13 billion in 1996, which represents less than 0.2 percent of U.S. GDP. Both estimates can be considered consistent with pre-NAFTA projections that the likely long-term impact of NAFTA would be a modest, positive increase in GDP—between 0.02 and 0.5 percent.

Several of the reports include conclusions about NAFTA's impact on U.S. aggregate employment. However, there is widespread consensus among many economists that aggregate employment is primarily determined by demographic conditions and macroeconomic factors such as monetary policy or interest rates. These economists would argue that trade agreements, such as NAFTA, primarily impact labor markets by shifting the composition of employment, potentially altering wages and income distribution, rather than affecting the overall level of employment in the country.

The President's report as well as the EPI study rely on the job-multiplier approach to estimate the potential job impact of changes in the nation's trade balance. This approach is questioned by many economists for computing the employment impacts of trade. Furthermore, as an application of this methodology, the President's and EPI's analyses both exaggerate their estimates of NAFTA's job impact. For example, the President's report did not calculate any job losses associated with increased U.S. imports from Mexico due to NAFTA.[18] Likewise, the job losses estimated by EPI are exaggerated, since some of the increase in U.S. imports from Mexico displaces imports from other nations rather than U.S. production.

The impact of NAFTA on wages, low-skill workers, and income inequality is a controversial issue related to NAFTA's impact on the economy. ITC analyzed the impact of NAFTA on sectoral wages but did not attempt to determine the impact on low-skill workers or income inequality. The President's report largely recapped the ITC analysis. While the critique associated trade expansion with two decades of declining real wages, it did not analyze NAFTA's specific impact.

An important methodological issue in analyzing NAFTA is how Mexico's 1994-95 financial crisis is treated. Estimates of NAFTA's impacts over its first 3 years differ greatly based on how the crisis is considered in the analysis. ITC's and the President's reports explicitly excluded its effects in

[18]The report argues that imports do not necessarily displace U.S. production and that because the "mainstream economic community has not developed any broadly agreed upon methodology" to estimate the displacement effect, the export job-multiplier computation should not be used to calculate employment level changes due to imports.

their analysis, while the EPI study did not. While separating the crisis' impact from that of NAFTA has merit, events in Mexico leading to the financial crisis and the response to the crisis are intertwined with NAFTA. The financial crisis tested whether NAFTA succeeded in locking in Mexico's market-opening reforms. Mexican government officials noted that they met their NAFTA obligations rather than institute immediate tariff increases on U.S. products, as had occurred during a previous crisis in 1982. Furthermore, they undertook additional market-opening measures such as privatizing government-owned ports and railroads, according to Mexico's Trade and Commerce ministry.

Mechanisms for Avoiding and Settling Disputes

NAFTA contains mechanisms to help avoid trade disputes and settle them effectively when they do arise. In an effort to head off disputes, NAFTA established a number of committees and working groups on key trade-related issues to provide a channel for discussion of member countries' ongoing concerns. In addition, NAFTA's dispute settlement process includes a consultation mechanism that encourages members to make every effort to resolve differences in meetings and discussions before requesting a review. Further, the agreement's formal dispute settlement mechanisms address member countries' potential use of unfair trade practices, the interpretation and application of NAFTA, and the protection of investor rights. Finally, changes in NAFTA member countries' trade laws were required by the agreement to increase the level of transparency in countries' trade remedies determinations.

U.S., Mexican, and Canadian private sector and government officials with whom we spoke were generally supportive of NAFTA's dispute settlement process over the past 3 years. For example, they cited increased transparency in member countries' administration of trade remedy laws required by the agreement. However, some U.S. and Canadian officials were concerned about the timeliness of NAFTA's panel selection process. In addition, Mexican officials acknowledged that Mexico's pool of potential panelists is somewhat limited because Mexican attorneys are still developing expertise in trade dispute matters. Furthermore, questions have arisen regarding the constitutionality of NAFTA's dispute settlement provisions dealing with countries' determinations of alleged unfair trade practices.

Dispute Avoidance

NAFTA established a number of committees and working groups on significant trade-related issues to enable member countries to discuss

their concerns. In addition, NAFTA committees and working groups provide forums for consultation on comprehensive trade-related subjects, such as rules of origin, agricultural subsidies, financial services, standards-related measures, trade and competition, and temporary entry by business persons. They are composed of trade and other relevant officials from the three governments.

Canadian, Mexican, and U.S. trade officials told us that, in general, NAFTA committees and working groups have helped all three countries to address important trade issues. They believe that these groups have prevented many issues from being elevated to the trade minister level and thus have minimized their politicization. One Canadian trade official commented that the working groups allowed government officials to settle their differences informally. U.S. embassy officials told us that Mexico and the United States are participating in NAFTA working groups to reduce delays that U.S. exporters encounter in meeting Mexican product standards. For example, to facilitate U.S. tire exports, Mexican officials told us they agreed to accept test data from U.S. tire manufacturers for the first time. A Canadian trade official cited a committee's work on accelerating the elimination of tariffs on certain products. Other examples of committee and working group efforts mentioned by government officials included harmonizing labeling requirements on apparel among NAFTA countries and resolving disagreements on classifying goods to meet NAFTA rules of origin.

NAFTA has also built into its dispute settlement process opportunities for disputing parties to participate in consultations, or face-to-face meetings, to resolve their differences. These consultations are meant to allow parties to air their concerns and seek mutually agreeable solutions before pursuing more formal institutional review under NAFTA. If the parties resolve their differences through consultations, they do not need to go any further in NAFTA's dispute settlement process. If differences are not resolved, the parties can request dispute settlement panel review. For example, seven such prepanel consultations are currently ongoing, one of which recently ended in a mutually acceptable resolution.

Enforcement

The three major dispute settlement provisions of NAFTA are set forth in chapters 19, 20, and 11. These chapters provide mechanisms for dealing with the three primary areas in which disputes can arise, that is, unfair trade practices (chapter 19), the interpretation and application of NAFTA (chapter 20), and the protection of investor rights (chapter 11). NAFTA's chapter 20 also promotes the use of arbitration and other forms of

alternative dispute resolution for international commercial disputes between private parties in the free trade area, although it does not prescribe or establish arbitration procedures.

There have been 32 chapter 19 requests for binational panel review as of July 1997, including 14 completed cases with final panel decisions, 9 cases still active, and 9 cases terminated without a decision (see app. IV for more information on completed cases.) There were no requests for Extraordinary Challenge Committee[19] review under NAFTA. Officials from all three countries with whom we spoke considered the chapter 19 process to be working very well. They believed that the final panel decisions made thus far had been balanced and fair and completed in a timely manner.[20] They observed that in their view, concerns about panels voting along national lines or the nature of the panel majority influencing its final outcome have proved to be unfounded. In fact, of the 14 completed panel decisions, 11 (79 percent) were unanimous. Chapter 19 binational panels took 457 days on average to complete cases and issue a final decision. Chapter 19 establishes a 315-day guideline to issue a final decision from the date a panel was requested.[21]

Two requests for chapter 20 panel reviews have been made under NAFTA. In one case, a final panel decision has been issued, and in the other case oral argument has been held. A decision is due by the end of the year. A total of seven prepanel consultations are ongoing, including two in which the United States is the petitioner, and five in which the United States is the respondent. Officials with whom we spoke believed that the chapter 20 prepanel consultation process helped parties avoid formal disputes by allowing them to resolve their differences before requesting a chapter 20 panel. However, Mexican government officials and a member of a U.S. business association operating in Mexico expressed concern that, in their opinion, some of the prepanel consultations under chapter 20, were taking too long. NAFTA provides for no time limits on consultations other than those agreed to by the consulting parties.

[19]While a chapter 19 decision cannot be appealed in domestic courts, involved parties may request a review by an Extraordinary Challenge Committee composed of three judges or former judges selected by the parties.

[20]Our 1995 work on chapter 19 found some participants had concerns about the panel process, certain panel decisions and how they were arrived at. See U.S.-Canada Free Trade Agreement: Factors Contributing to Controversy in Appeals of Trade Remedy Cases to Binational Panels (GAO/GGD-95-175BR, June 16, 1995).

[21]According to the NAFTA U.S. Section Secretary, the 315-day guideline does not include the time when the panels are temporarily suspended. Panels can be suspended when a panelist becomes unable to fulfill panel duties or is disqualified due, for example, to a change in circumstances causing the appearance of conflict of interest.

Two U.S. firms have filed complaints under the NAFTA chapter 11 investor arbitration clause. In one case a panel convened in July 1997, and in the other case, a panel is still being formed.

Appendix IV further describes the chapters 19, 20, and 11 provisions and provides information on the dispute cases initiated since NAFTA's implementation.

Implementation Progress

According to U.S., Mexican, and Canadian government officials, changes in NAFTA member countries' trade laws precipitated by the agreement have increased the level of transparency in countries' trade remedy determinations, particularly in Mexico. While government officials were generally pleased with the operation of NAFTA's dispute settlement process to date, they expressed some concerns about the panel selection process. In addition, a constitutional challenge to the chapter 19 process is pending in U.S. federal court.

Changes in Signatory Trade Laws to Conform to NAFTA Requirements

All three signatories agreed to make changes in their trade remedy laws to comply with NAFTA provisions. For example, NAFTA obligated Mexico to make 21 procedural amendments to its laws. They were intended to reduce the potential for arbitrary antidumping and countervailing duty administrative determinations by increasing the level of transparency in the administrative process. The amendments Mexico was obligated to make to its law included allowing interested parties to fully participate in the administrative process, including the right to administrative and judicial review of final determinations, elimination of the possibility of imposing provisional duties before the issuance of a preliminary determination, and explicit timetables for determining the competent investigating authority and for parties to submit evidence and comments. The United States and Canada included changes required by NAFTA in their implementing legislation, while Mexico amended its new Foreign Trade Law shortly before NAFTA became effective.

In accordance with the NAFTA Implementation Act, the President reported to Congress on December 27, 1993, that Mexico implemented the statutory changes necessary to bring it into compliance with its obligations under NAFTA. In addition, Mexican officials stated that Mexico also amended its foreign investment, telecommunications, and intellectual property laws at that time. Mexico's first trade remedies law, including antidumping and countervailing duty measures, was enacted in 1986 when Mexico joined the General Agreement on Tariffs and Trade (GATT). According to Mexican

officials and the U.S. Section NAFTA Secretariat, the law, now in its fourth revision, has dramatically increased the levels of transparency and public participation in Mexico's trade remedy determinations. However, these officials admitted that Mexico's system for finding redress to unfair trade practices was still slow and costly to petitioners.

Canadian officials told us that both U.S.-Canadian Free Trade Agreement and NAFTA provisions on unfair trade practices have encouraged more thorough review and documentation of original antidumping and countervailing duty cases by Revenue Canada, an agency that administers Canadian trade laws. Prior to these agreements, these same officials said that Revenue Canada's review processes of these cases had been less documented and less subject to outside scrutiny.

Quality of the Operation of Dispute Settlement

In general, U.S., Mexican, and Canadian government officials with whom we spoke were favorably impressed with the operation of the NAFTA dispute settlement process over the past 3-1/2 years. They considered the panelists reviewing the cases brought forward to date to be of high quality, professional, neutral, and unbiased. Panelists, we were told, went out of their way to hear all of the arguments relevant to each case. In addition, they were pleased that panel reviews and decisions were conducted with little attention from the media. Officials observed that the cases that did attract media attention tended to be those concerning issues that had been sensitive long before NAFTA. They further noted that the controversy over these cases concerned the substance of the issues rather than the dispute settlement process itself.

U.S., Canadian, and Mexican business groups we spoke with believed that the dispute settlement framework has provided an orderly, fair, and predictable mechanism with which to resolve differences. One U.S. business association member explained that such a mechanism provided certainty and reduced risk to all participants, thereby facilitating trade among the three countries. Another businessperson noted that the outcome of the panel decisions was not as important as the certainty that the dispute settlement system was unbiased and based upon the rule of law.

Considering the increased trade among the United States, Canada, and Mexico since NAFTA's implementation, many of the private sector and government officials with whom we spoke regarded the number of dispute settlement cases over the past 3-1/2 years to be remarkably low. They attributed this to opportunities to work out differences through the NAFTA

working groups and the consultation process built into the dispute settlement process.

Panel Selection

Notwithstanding the support expressed by many business and government representatives for the agreement's dispute settlement process, some participants in the dispute settlement process expressed concern about the timeliness of the panel selection process.

NAFTA's chapter 19 provides that involved parties agree on their selection of panel members within 55 days of the request for a panel. The average delay over and above the required 55 days for panel selection under NAFTA chapter 19 had been 53 days. Participants attributed this delay to the logistics of finding qualified potential panelists, in particular panelists who meet the NAFTA code of conduct that requires that panelists meet certain criteria, including lack of a conflict of interest. One participant cautioned that such delays could potentially cause problems since NAFTA requires the respondent to respond to the complainant's brief within 60 days of the request for a panel. In fact, thus far nine panels have been temporarily suspended to deal with such situations.

In addition, a Canadian official responsible for monitoring NAFTA issues believed that the two cases involving requests for chapter 20 panels had been delayed due to the absence of a chapter 20 roster. Under NAFTA, the chapter 20 panel members are normally to be chosen from a roster agreed upon by all three signatories. Without a roster, panelists in the two cases had to be selected from a general population of potentially eligible panelists. According to a U.S. Trade Representative official, the chapter 20 roster has not yet been formed because the parties could not agree on its composition.

Mexican officials admitted that Mexico's pool of potential panelists was rather limited because Mexican attorneys are still developing expertise in trade dispute matters. Moreover, the limited number of Mexican trade attorneys increases the potential that panelists might represent clients in the industries subject to panel review, a situation not allowed under NAFTA's conflict of interest provisions. Mexican officials explained that their government is making every effort to train more professionals in the area of trade law. For example, the Mexican government is currently sponsoring seminars on trade law and requiring that Mexican universities provide classes in antidumping and countervailing duty law as well as in NAFTA dispute settlement.

Challenge to Constitutionality of Binational Panel System

Critics have questioned whether the chapter 19 binational panel review system, by replacing federal court review with binational panel review, violates article III of the U.S. Constitution that provides that judicial power be exercised by U.S. federal courts. They also question whether the chapter 19 system may violate the appointments clause of article II of the U.S. Constitution, which requires that judicial officials be appointed by the President with the advice and consent of the Senate, since chapter 19 panelists are not nominated by the President and confirmed by the Senate. In January of this year, the American Coalition for Competitive Trade[22] filed a lawsuit in the U.S. Court of Appeals for the District of Columbia Circuit charging that chapter 19 violates articles II and III of the U.S. Constitution.

In view of these developments, it is possible that questions concerning the constitutionality of the chapter 19 binational panel review system may be resolved by the federal courts. However, if and when the courts will ultimately decide these issues is uncertain.

Implementation of Environment and Labor Agreements

During the NAFTA negotiation process, parallel negotiations were undertaken to address environment and labor issues. The two resulting agreements emphasized cooperation to improve environment and labor conditions in North America; they also created mechanisms to address enforcement of environment and labor laws in each of the three countries. After 3-1/2 years of implementation, it is too early to say what definitive effect these side agreements will have on the environment and labor. The commissions set up to implement the two agreements have been acknowledged for their efforts to date to further cooperation in their respective areas, but observers also have concerns about various aspects of the agreements' implementation.

[22]The American Coalition for Competitive Trade, a nonprofit organization incorporated under Virginia law, is a coalition of 21 organizations and corporations organized for the purpose of protecting the industrial and agricultural capacity, tax base, and economic well being of the United States.

Coverage and Results of the Environmental Agreement

The North American Agreement on Environmental Cooperation signed by Canada, Mexico, and the United States in September 1993, went into effect along with the NAFTA on January 1, 1994.[23] The environmental agreement aims to protect, conserve, and improve the environment through increased cooperation and transparency among the three governments and greater public participation. In addition, the agreement provides citizens and governments an opportunity to file complaints regarding a country's failure to enforce its environmental laws.

The environmental agreement established the Commission for Environmental Cooperation in Montreal to help the three signatory countries achieve the objectives set forth in the agreement. Its organizational structure consists of a Council, a Secretariat, and a Joint Public Advisory Committee. Since 1995, this commission has been funded at approximately $9 million per year, with equal contributions from each member country. In 1996, the commission created a fund for community-based projects in Canada, Mexico, and the United States that promotes the commission's goals and objectives. In 1997, $1.6 million of the annual budget was used for this fund.

Cooperative Efforts

Since its first full year of operation in 1995, the environmental commission has undertaken a work program designed to improve environmental cooperation. Work program areas and examples of projects undertaken by the commission are outlined in table 2.

[23]NAFTA was also accompanied by a bilateral agreement between the United States and Mexico that established the North American Development Bank and the Border Environment Cooperation Commission. The primary goal of these two institutions is to provide seed money for environmental infrastructure and community development projects along the U.S.-Mexico border and to review proposals for such funding. A discussion about the implementation of the North American Development Bank and the Border Environment Cooperation Commission is beyond the scope of this testimony. For a detailed analysis of these two agreements, see International Environment: Environmental Infrastructure Needs in the U.S.-Mexican Border Region Remain Unmet (GAO/RCED-96-179, July 22, 1996).

Table 2: Commission for Environmental Cooperation's Regional Cooperation Projects

Work program area	Examples
Conservation	•Developing plans to conserve and protect North American birds and monarch butterflies •Developed plans to establish a North American Biodiversity Information Network •Developed plans to implement strategies to protect regional marine life
Protecting human health and the environment	•Coordinated the development of regional action plans for PCBs, DDT, chlordane, and mercury •Coordinate the completion of transboundary environmental impact assessment procedures by April 1998
Environment, trade, and the economy	•Fund and facilitate the creation of an information clearinghouse on environmental technology and services •"NAFTA Effects" projects: •Completed NAFTA intergovernmental institutions study in 1997 •Refine the general framework for assessing NAFTA's environmental impacts by completing a study on the environmental effects of the deregulation of the energy and agriculture sectors (expected in 1997)
Enforcement cooperation	•Groups established under this program have met and exchanged information, strategies, and expertise on enforcement, compliance, and legal trends
Information and public outreach	•Complete enhancements to the commission's website that will provide regional information on the environmental dimensions of physical, socioeconomic, and ecological variables (expected in 1997)

Legend

PCB = Polychlorinated Biphenyle
DDT = Dichloro-diphenyl Trichloro-ethane

Enforcement

The environmental supplemental agreement provides two separate mechanisms regarding a government's failure to enforce its environmental laws: (1) articles 14 and 15 provide for citizen submissions on enforcement matters and (2) part V provides for government-to-government consultation and resolution of disputes. Environmental officials from Canada and the United States generally believe that the citizen submission process is working well. They believe the submissions are being fairly reviewed by the Secretariat. In Canada, one official commented that this process has even helped the provincial and national environmental agencies harmonize their responsibilities.

Citizen submission process. Under the citizen submission process, a citizen or citizen group may submit a claim to the environment

commission's Secretariat that a party to the agreement is failing to effectively enforce its environmental laws. If two out of the three countries agree that the submission has merit, the commission will prepare a factual record (that is, an investigation of the matter) that could lead to public pressure to improve enforcement. Unlike part V of the agreement for resolving government-to-government environment disputes, the citizens submissions process does not provide this commission with the ability to impose sanctions.

Since the citizen submission process came into effect, 11 submissions have been filed.[24] Of these 11, 3 cases were submitted alleging that the United States had failed to enforce its environmental laws. Of these three submissions, two were terminated because they dealt with legislative changes or new environmental laws rather than nonenforcement,[25] and the third was withdrawn. In this third instance, the submitter alleged that the Department of Defense's expansion of Fort Huachuca, Arizona, would drain the local water supply and destroy the ecosystem that is dependent upon it. In its response, the U.S. government contended it was not failing to enforce environmental law and that the citizen submission did not warrant an inquiry to gather factual information. In July 1997, the submitter withdrew the filing, and the process was terminated.

The remaining cases were against Canada and Mexico, with six being filed against Canada and two against Mexico. The case that has proceeded the furthest involves a submission filed by three Mexican nongovernmental organizations in 1996, alleging that the Mexican government failed to effectively enforce its environmental laws regarding the construction and operation of a public harbor terminal in Cozumel. The Secretariat recommended, and the Council approved, that a factual record be prepared in this case. The Secretariat transmitted the final factual record to the Council on July 25, 1997. The Council may, upon a two-thirds vote, make the final record a public document.

Government-to-government disputes. Although a process for consulting on and resolving government-to-government disputes regarding a "persistent pattern of failure to effectively enforce its environmental laws" is called

[24]For a listing of all submissions—the country affected, the submitter, and the status—see appendix V.

[25]For example, the case submitted by the Sierra Club and other organizations in August 1995 alleging that the Fiscal Year 1995 Supplemental Appropriations, Disaster Assistance and Rescissions Act contained a rider suspending enforcement of U.S. environmental laws for a logging program was terminated on December 8, 1995, because the Secretariat determined that the case was not a nonenforcement case. The Secretariat's assessment was that these organizations submitted the case as a means of seeking an alternate forum for disputing a U.S. legislative decision.

for under the agreement, no rules of procedure for implementing this segment—part V—of the agreement have been established to date.[26] Unlike the citizen submission process identified in articles 14 and 15 of the environmental agreement, part V allows an arbitration panel reviewing the case to impose monetary sanctions or to withdraw NAFTA benefits if it determines that the government against which a complaint was filed persistently failed to enforce its environmental laws. Without rules of procedure, no NAFTA member country can raise a complaint under this section of the environmental agreement, which was designed to help resolve disputes arising between governments.

Implementation Progress and Issues

The environmental commission is credited with making some progress in implementing the environmental agreement. However, implementation issues involving the focus of the commission's cooperative work programs, transparency of the enforcement mechanisms, and the governments' commitment to the agreement remain.

Progress on cooperation and participation. Officials we spoke with at the U.S. and Canadian environmental agencies, as well as at a Mexican nongovernmental organization, were generally pleased with implementation of NAFTA's environmental agreement. According to these officials, the agreement and its commission provide the three countries an opportunity to examine broader, regional environmental objectives and to develop cooperative action plans on agreed-upon priorities. Actions taken by the commission in implementing the environmental agreement are listed in table 2.

Environmental officials in all three NAFTA countries also commented on the increased level of public participation achieved through the agreement. This is especially true in Mexico, according to a Mexican expert we spoke with, who told us that the agreement has given the Mexican government the political will to strengthen its environmental laws and include citizen input. Another Mexican environmental expert has stated that the commission has been an important catalyst for developing a more transparent regulatory process and ensuring a more consistent application of environmental laws in Mexico.

Similar reactions were also expressed by some other environmental experts reviewing implementation of the environmental agreement. In a

[26]According to a U.S. Environmental Protection Agency official, the NAFTA members expect to complete these rules by the end of 1997.

letter sent to the Council, an independent panel of experts[27] said that the environmental agreement and the commission have done much to develop as an important focus for environmental cooperation and dialogue in North America.

Concerns about work programs and studies. Despite the achievements acknowledged by government officials and experts, some observers have raised concerns about the work undertaken by the commission. For example, Mexican trade officials stressed their concerns about both the process and content of the work program. According to these officials, the commission needs more transparent criteria for its selection and funding of projects, and the Mexican government should have much more input into the funding of projects earlier on in the process. Furthermore, they believe that the commission is funding several environmental projects that are duplicative of some ongoing efforts to improve conditions along the U.S.-Mexico border. The U.S. Environmental Protection Agency (EPA) has raised other concerns about the process used to determine the studies undertaken by the commission. Specifically, an agency official told us that the process used to determine whether or not to prepare a study needs to be more transparent. Canadian trade and environment officials did not express any concerns about the commission's work programs or studies.

Concerns about the citizen submission process. Questions regarding the consistency with which the citizen submission process has been applied, the transparency of this process, and the guidelines developed to implement it were raised by officials we spoke with.

- Mexican officials believe the environment commission has been inconsistent in its handling of the cases filed under the citizen submission process, showing more flexibility towards some governments involved in cases than others. Specifically, they are dissatisfied with the application of the process in the Cozumel public harbor case alleging Mexico's failure to effectively enforce its environmental law.
- Mexican environmental experts believe the environment commission needs to increase the transparency of the submission process. For example, they believe the submitter should be allowed to review a draft of the factual record prepared by the secretariat, as the government is allowed to do, before it is finalized.
- U.S. environmental officials are concerned that the citizen submission guidelines currently allow the submitter to withdraw a filing at will. Once

[27]The Commission for Environmental Cooperation Secretariat convened a panel of experts in March 1997 to help it prepare for a mandated internal evaluation. The trinational panel included a U.S. Congressman and was chaired by the United Nations' chief advisor on environmental issues.

the Secretariat receives notification of the withdrawal, it is required to halt the process of investigation. According to an official at the EPA, it was a mistake to include such a provision in the guidelines because the process may be halted at any stage regardless of the level of resources the commission and the governments may have put into processing and responding to the allegation. The official told us these guidelines are currently being revised.

Concerns about an independent commission. A panel of experts and officials at the environmental commission we spoke with stressed the importance of improving the commission's independence and its ability to autonomously decide to undertake a study or a work program. Problems associated with this issue arose during the annual program and budget review process in which Mexican government officials withheld their support and approval for a project to study the environmental effects of NAFTA in certain sectors. Officials from Mexico objected to the project because they believed the commission had not adequately consulted them in the identification of the sectors—energy and agriculture—to be studied. While support for the project, referred to as the second phase of the NAFTA Environmental Effects project, was eventually granted for the remainder of 1997, its continuation beyond that was made contingent upon a group of trade and environment officials from each country recommending the terms of reference for future work in this area.

Concerns about national commitment to the environmental agreement. Experts, some government officials, and officials at the commission's secretariat were concerned about what they regard as a low level of national commitment to the environmental agreement. A commission official we spoke with commented that agencies responsible for implementation of the NAFTA environmental agreement in both the United States and Mexico have been constantly understaffed, which has had an adverse impact on the agreement's implementation. For example, Canadian officials told us that without an adequate level of staff to implement the agreement in each country, marketing of the agreement's strengths, its cooperative work efforts, and its enforcement mechanisms suffer. Furthermore, officials we spoke with said that it was surprising that, compared to Canada and Mexico, the United States has consistently had the least number of staff—one—assigned to oversee implementation.

Coverage and Results of the Labor Agreement

The North American Agreement on Labor Cooperation signed by Canada, Mexico, and the United States in September 1993, went into effect on

January 1, 1994, along with NAFTA. The agreement aims to improve working conditions and living standards in each country, encourage exchange of information on and foster transparency in the administration of labor law, and pursue cooperative labor-related activities among the three countries. The three governments have also committed themselves to promote compliance with and effectively enforce (subject to domestic law) 11 labor principles, including the freedom of association and protection of the right to organize; the right to bargain collectively and strike; minimum employment standards; elimination of employment discrimination; equal pay for women and men; and protection of migrant workers.

The labor agreement established the Commission for Labor Cooperation in Dallas as a trinational organization responsible for fostering cooperative labor-related activities and performing independent evaluations. The commission was funded in equal parts by the three countries at $1.8 million in 1996. In addition, the labor agreement permits the parties to develop a consultative system to address domestic labor-related issues. This includes a dispute settlement mechanism to address lack of enforcement by a party of certain labor law standards.

Cooperative Efforts

The commission, in order to meet its obligations to pursue cooperative labor-related activities, has completed a number of efforts since it went into operation in September 1995. Examples include those listed in table 3.

Table 3: Commission for Labor Cooperation's Cooperative Efforts

Selected areas of cooperation	Recent examples
Occupational safety and health	•North American Occupational Safety and Health Week, held June 1997 simultaneously in each country • Completion of "Petrochemical Study Tour" on prevention of catastrophic explosions (October 1996)
Human resource development	•Workshop on Continuous Learning and Development in the Workplace (April 1996)
Labor-management relations	•Tripartite conference on "Industrial Relations for the 21st Century" (March 1996)
Productivity improvement	•North American seminar on incomes and productivity
Labor statistics	•Report profiling North American labor markets (June 1997)

Enforcement

The labor agreement provides for a series of processes to ensure the enforcement of each country's labor laws, emphasizing cooperation and

consultation throughout the various steps. If a person or group wishes to allege that one country has failed to effectively enforce its labor laws, it may file a submission with the National Administrative Office of another country. The National Administrative Office receiving the submission may then investigate the allegation, including holding public hearings to gather information. Consultation with other National Administrative Offices follows if the submission is accepted. The Secretary of the National Administrative Office receiving the submission may then recommend that ministerial consultations take place on the subject. Depending on the nature of the allegation, additional steps in the process could include the formation of an evaluation committee of experts if ministerial consultations have not resolved the issue, as well as other cooperative and consultative steps.

If cooperative efforts to resolve problems fail, the labor agreement provides a dispute settlement mechanism in three instances where a submission involves an allegation of a persistent pattern of failure to effectively enforce labor rights: occupational safety and health, child labor, and minimum wage technical labor standards. In such a case, an arbitration panel may be formed to review the matter and make recommendations for corrective action. Failure of one of the parties to fully implement the panel's recommendations could ultimately lead to a monetary sanction to be placed in a fund to be used to improve or enhance labor law enforcement in the non-conforming country.[28] Failure to pay the monetary sanction could result in suspension of NAFTA benefits.

Eight cases have been submitted since the establishment of the National Administrative Offices. Seven have been submitted to the U.S. National Administrative Office against Mexico, and one has been submitted to Mexico's National Administrative Office against the United States; none have involved Canada. None of the cases submitted so far has fallen in a category of labor principles that could ultimately qualify for dispute settlement and sanctions.[29] A more detailed description of the submissions can be found in appendix VI.

[28]The North American Agreement on Labor Cooperation provided for a maximum monetary enforcement assessment of $20 million in 1994. In subsequent years, this assessment can be no greater than 0.007 percent of the total trade in goods between the parties during the most recent year for which data are available.

[29]The first seven cases all dealt with the labor principle of freedom of association and the right to organize. Under the North America Agreement on Labor Cooperation, cases of this sort are not eligible for independent evaluation or arbitration. The most recent case involves the labor principle of the elimination of employment discrimination, which is eligible for independent evaluation, but not arbitration.

Implementation Progress and Issues

The labor agreement is the first international agreement to link labor issues to an international trade pact. Recent efforts to link trade agreements and labor issues, building on NAFTA, have proven to be very controversial. For example, at the first ministerial meeting of the World Trade Organization (WTO) at Singapore in December 1996, WTO members rejected a U.S. proposal to create a working group to study the relationship between trade and labor standards. Thus, while the labor agreement is limited in its scope, according to some critics, it remains a visible experiment in the linkage of labor standards to international trade agreements.

Labor officials knowledgeable about the labor agreement in each country told us that they believe that the agreement has had a positive effect on increasing the level of understanding about labor issues in North America—one of its major objectives. Many of the activities associated with the agreement have been focused on improving the level of understanding of each country's labor system because, according to one National Administrative Office Secretary, such understanding has been woefully lacking in the past.

Personnel issues. Difficulty in hiring and retaining staff has been identified as an impediment to the implementation of the labor agreement. The National Administrative Offices in each country went into operation in January 1994 at the same time that NAFTA went into effect. At the first meeting of the commission's Council in March 1994, labor ministers from each country indicated they planned to hire an Executive Director by June 1, 1994. However, the position was not filled until April 1995 due to difficulties in hiring a Canadian Executive Director, according to commission officials. Because of this delay, the commission's opening did not occur until September 1995, almost 2 years after the labor agreement went into effect. In addition, turnover at both Mexico's National Administrative Office and at the labor commission has disturbed the continuity of operations, according to U.S. and Canadian officials. Finally, disparate national treatment in the application of personal taxes for employees at the commission has resulted in different net salaries for each nationality, and has negatively affected both recruiting efforts and morale, according to commission officials.

Budgetary issues. Funding levels for the commission have also been raised as a concern related to the effectiveness of the commission. The NAFTA Implementation Act authorized a U.S. contribution to the commission of $2 million for each of fiscal years 1994 and 1995. Since the burden of

funding the commission must be borne equally by each country, this indicated a potential annual commission funding level of $6 million. However, the actual annual commission budget for the past several years has been $1.8 million (U.S. contribution totalling $600,000). A commission official explained that by the time the commission was ready to be funded, Mexico had entered into its financial crisis and requested a temporary funding limit on the commission of $600,000 per country.

The funding limitations are causing concern on the part of some observers that the commission does not have adequate resources to meet its obligations. The Director of the Mexico National Administrative Office told us that while the commission has requested a budget raise from its Secretariat, the Mexican government has decided not to authorize an increase until it has had an opportunity to examine the commission's annual work plan. Commission officials told us that the Canadian government has already appropriated $1 million for its share of the budget and is diverting 40 percent of it to support NAFTA environment efforts to remain in compliance with labor agreement provisions that no country contribute more than any other to support the commission.

Thank you Mr. Chairman, this concludes my prepared remarks. We will be happy to answer any questions you or Members of the Subcommittee may have.

Selected Statistics on NAFTA Member Countries

	United States	Canada	Mexico
Population (1995, in millions)	263	30	92
Per capita GNP (1995, PPP dollars)[a]	$26,980	$21,130	$6,400
Average annual growth rate of real per capita GNP, 1985-95 (percent)	1.4	0.4	0.1
Average annual inflation rate, 1985-95 (percent)	3.2	2.9	36.7
Investment as a percent of GDP, 1995	16	19	15
Exports to U.S. as a percent of total exports, 1995	NA	80	84
Total trade as a percent of GDP, 1995[b]	24	71	48

Legend

GDP = gross domestic product
GNP = gross national product
PPP = purchasing power parity
NA = Not applicable

[a]Purchasing power parity is defined as the number of units of a country's currency required to buy the same amount of goods and services in the domestic market as U.S. dollar would buy in the United States.

[b]Total trade share in GDP equals exports and imports of goods and services as a percentage of GDP.

Source: World Bank Atlas, 1997.

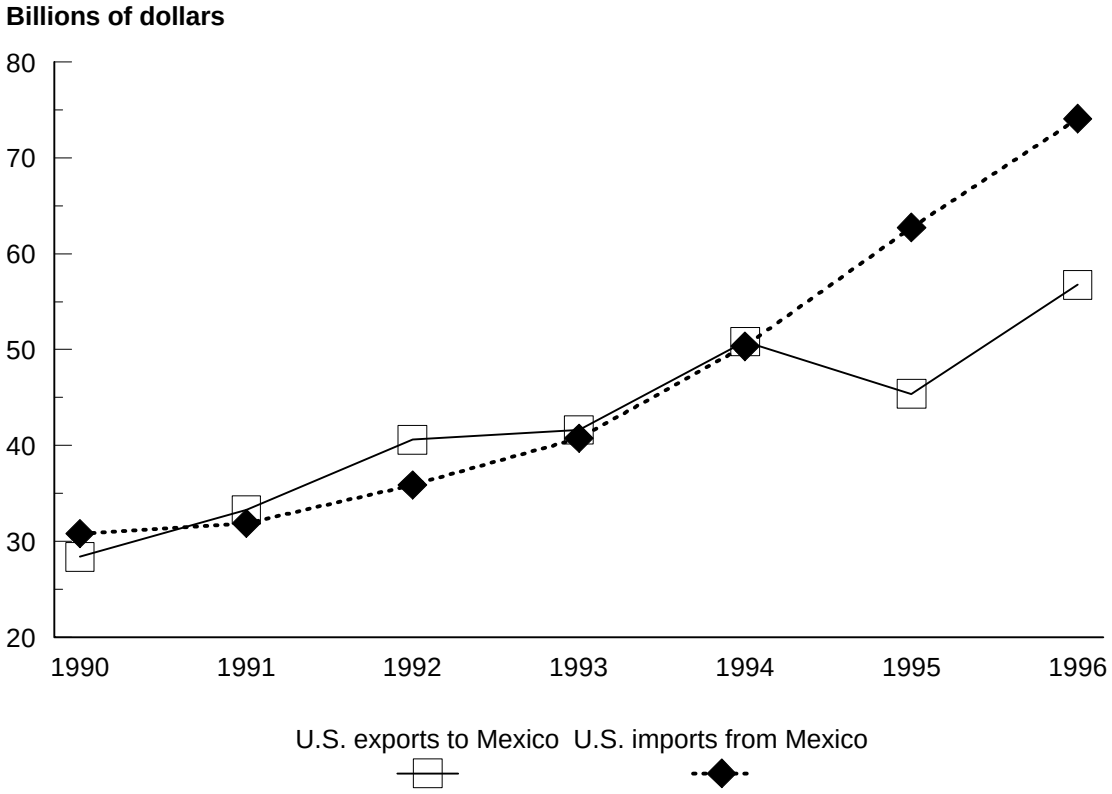
Merchandise Trade Relationships Between NAFTA Members, 1991-93 and 1994-96

Dollars in billions

	Annual average		Annual average growth rate (percent)	
	1991-93	1994-96	1991-93	1994-96
U.S. exports to				
Canada	$91.8	$124.3	6.5	9.8
Mexico	38.5	51.0	13.9	12.1
Canada and Mexico	130.3	175.3	8.4	10.2
World— excluding Canada and Mexico	314.5	397.3	4.7	10.4
U.S. imports from				
Canada	$102.9	$146.7	6.7	12.1
Mexico	36.2	62.4	9.9	22.1
Canada and Mexico	139.1	209.1	7.5	14.9
World— excluding Canada and Mexico	414.9	550.3	4.4	9.5
U.S. total trade with				
Canada	$194.7	$271.0	6.6	11.0
Mexico	74.7	113.4	11.7	16.9
Canada and Mexico	269.4	384.4	7.9	12.7
World— excluding Canada and Mexico	729.4	947.6	4.5	9.8

Source: International Monetary Fund, Direction of Trade Statistics, 1997.

U.S. Merchandise Trade With Mexico, 1990-96



Source: International Monetary Fund, Direction of Trade Statistics, 1997.

NAFTA Dispute Cases

NAFTA chapters 19, 20, and 11, respectively, deal with the three primary areas in which disputes can arise—unfair trade practices, the interpretation and application of NAFTA, and the protection of investor rights. In the 3-1/2 years since NAFTA's implementation, dispute cases have arisen in all three areas. A brief description of the three chapters' provisions and information about the dispute cases initiated to date are provided in the following tables.

Chapter 19

Chapter 19 lays out the system for the review of antidumping and countervailing duty final determinations made by the domestic agency of the importing country in the dispute.[1] Chapter 19 replaces domestic judicial review of those final administrative determinations with binational[2] panel review. Five-member binational panels of experts chosen from rosters developed by each of the three signatories review the determinations and issue final decisions. Panels apply the law of the country whose agency is under review. These panels usually consist of lawyers, sitting or retired judges, former government officials, noted academics, and others who specialize in trade dispute settlement and international affairs. Panels may either uphold a determination or remand[3] it to the investigating authority. The panel's decision on the case is final and binding and cannot be appealed in the domestic courts. In certain extraordinary circumstances, such as the gross misconduct of a panel member, a party involved in a chapter 19 dispute can request that a final panel decision be reviewed by an Extraordinary Challenge Committee. Table IV.1 provides information on the chapter 19 NAFTA dispute settlement cases for which there were final panel decisions.

[1]Antidumping and countervailing duty laws in the United States are administered jointly by the U.S. International Trade Commission and the U.S. Department of Commerce, and in Canada and Mexico respectively by Revenue Canada and SECOFI (Subsecretaria de Negociaciones Comerciales Internacionales).

Dumping is the sale of commodities in a foreign market at a price that is lower than the price or value of comparable commodities in the country of origin. A countervailing duty is a U.S. government fee on goods imported into the United States in an amount equal to any subsidy provided with respect to manufacture, production, or export of those goods by a government of another country.

[2]Panels are binational because they are comprised of members from the country of the petitioning party and the responding party in the case.

[3]A remand is a court or panel decision returning a determination to an agency for further action. Remands can request that agencies explain determinations, provide more information, or make corrections.

Table IV.1: Completed NAFTA Chapter 19 Binational Panel Reviews Through August 1997

Case identification (in descending order)	Commodity	Type of determination by domestic agency
USA-95-1904-05	Fresh cut flowers from Mexico	Dumping
USA-95-1904-04	Oil country tubular goods from Mexico	Dumping
USA-95-1904-03	Color picture tubes from Canada	Dumping
USA-95-1904-02	Gray Portland cement & cement clinker from Mexico	Dumping
USA-95-1904-01	Porcelain-on-steel cookingware from Mexico	Dumping
USA-94-1904-02	Leather wearing apparel from Mexico	Countervailing duties (CVD)
USA-94-1904-01	Live swine from Canada	Countervailing duties
MEX-94-1904-03	Crystal and solid polystyrene from U.S.	Dumping
MEX-94-1904-02	Cut-to-length plate products from U.S.	Dumping
CDA-95-1904-04	Refined sugar from U.S.	Dumping
CDA-95-1904-01	Certain malt beverages from U.S.	Injury
CDA-94-1904-04	Certain corrosion-resistant steel sheet products from U.S.	Injury
CDA-94-1904-03	Certain corrosion-resistant steel sheet products from U.S.	Dumping

Nationality of appealing parties	Panel majority	Total number of days to complete[a]	Unanimous decisions?	Results of panel decisions
Mexican	Mex.	505	Yes	Reduced duties for 3 producers from 39.95% to 18.20%
Mexican & U.S.	U.S.	511	Yes	Reduced duties for all producers from 23.79% to 21.70%
Canadian	Can.	326	Yes	Affirmed domestic agency determination
Mexican	U.S.	467	Yes	Affirmed domestic agency determination
Mexican & U.S.	U.S.	541	Yes	Agency instructed to adjust methodology for determining rebated or uncollected value-added tax
Mexican	Mex.	400	Yes	Duty lowered from 13.35% ad valorem to none for 2 producers
Canadian	U.S.	560	Yes	Reinstated the sows and boars subclass and set a separate CVD rate for it
U.S.	Mex.	654	No	Affirmed domestic agency determination
U.S.	U.S.	436	No	Domestic agency determination declared null and void and duties revoked.
U.S.	U.S.	451	Yes	Panel's remand did not result in any change in the domestic agency's determination
Canadian	Can.	327	Yes	Affirmed domestic agency determination
U.S.	Can.	324	Yes	Affirmed domestic agency determination
U.S.	U.S.	459	No	Duty for one importer decreased from 13.2 percent to 13.1 percent; duty for another importer increased from 8.4 percent to 8.5 percent

(continued)

Case identification (in descending order)	Commodity	Type of determination by domestic agency
CDA-94-1904-02	Synthetic baler twine from U.S.	Injury

Nationality of appealing parties	Panel majority	Total number of days to complete[a]	Unanimous decisions?	Results of panel decisions
Canadian & U.S.	U.S.	439	Yes	Panel's remand did not result in any change in the domestic agency's injury determination

Note: Cases terminated, with no panel decisions, are not included in this table.

[a]Actual calendar days from the date on which a request for panel was made to the date of notice of final panel action.

Sources: U.S. Section NAFTA Secretariat; text of final panel decisions; and Federal Register notices.

Chapter 20

Chapter 20 establishes NAFTA's procedures for settling disputes between the signatory governments regarding NAFTA's interpretation and application. Chapter 20's dispute settlement provides for (1) consultations between disputing parties to resolve their disagreement and, if that fails, referral of the dispute to the Free Trade Commission; (2) referral of the dispute to a panel of independent experts; (3) dissemination of panel findings and recommendations; (4) resolution of the dispute through nonimplementation or removal of the nonconforming measure; and (5) suspension of application of benefits by the complaining party if agreement on resolution to the dispute cannot be reached. Chapter 20 panels are chosen from a roster of experts agreed upon by the three signatories. Table IV.2 provides information on the chapter 20 disputes initiated under NAFTA.

Table IV.2: NAFTA Chapter 20 Dispute Cases Through August 1997

Petitioner	Respondent	Subject of dispute	Status
United States	Canada	Tariffs applied by Canada to certain U.S.-origin agricultural goods	Final panel decision to maintain Canadian tariffs, issued December 2, 1997
United States	Mexico	Retaliatory action in response to U.S. safeguard action on broomcorn brooms	Prepanel consultations ongoing
United States	Mexico	Small parcel delivery (UPS)	Prepanel consultations ongoing
Mexico	United States	U.S. Customs classifications of limes imported from Mexico	Prepanel consultations ongoing
Mexico	United States	Requests for designation of Mexicali valley as disease-free area	Prepanel consultations deferred pending discussions with USDA
Canada	United States	The U.S. Sugar Containing Products Re-export Program	Prepanel consultations ongoing
Mexico	United States	U.S. International Trade Commission serious injury determination on broomcorn brooms	Chapter 20 panel established on January 14, 1997, and is in the process of reaching a decision
Mexico and Canada	United States	Titles III and IV of the Helms-Burton Act	Prepanel consultations in April/May 1996 under NAFTA chapter 20. WTO (World Trade Organization) dispute settlement panel established through European Union (EU) protest in November 1996. EU/U.S. agreement in April 1997 to suspend WTO panel until October 15, 1997. EU/U.S. talks ongoing
Mexico	United States	Implementation of NAFTA provisions on trucking	Prepanel consultations ongoing

Legend

USDA = U.S. Department of Agriculture

Source: Office of the United States Trade Representative.

Chapter 11

NAFTA is unique among trade agreements because, under chapter 11, it contains a comprehensive regime for settling disputes between foreign investors and host governments. International trade agreements have generally concentrated on removing government barriers to trade in goods and services and not on resolving disputes between private parties or regarding investment issues. Chapter 11 makes investor-state disputes subject to binding arbitration for monetary compensation. If a dispute is not resolved through consultations, the investor may seek arbitration through a World Bank facility or through ad hoc proceedings under United Nations arbitration rules. Table IV.3 shows the status of the chapter 11 cases brought forward under NAFTA.

Table IV.3: Complaints Filed Under NAFTA's Chapter 11 Investor-State Arbitration Clause Through August 1997

Petitioner	Respondent	Subject of dispute	Status
Metalclad Corporation (U.S. company)	Mexican government	Mexico's expropriation of Metalclad's hazardous waste landfill in the community of Guadalcazar, Mexico, in the state of San Luis Potosi	Three-member arbitration panel formed and convened
Desechos Solidos de Naucalpan (U.S. company)	Mexican government	Mexico's nullification of an agreement to manage solid waste in the state of Mexico	A panel is being formed

Source: Office of the United States Trade Representative.

Citizen Submissions Under the North American Agreement on Environmental Cooperation

Case no.	Country	Submitter(s) and year filed	Complaint	Status
1	United States	Biodiversity Legal Foundation, et al. (1995)	Provisions of a U.S. rescissions act have resulted in a failure to effectively enforce some provisions of the Endangered Species Act	Process terminated—Secretariat determined government response not merited
2	United States	Sierra Club, et al. in the U.S., and Canadian and Mexican environmental groups (1995)	Legislation passed by the U.S. Congress is alleged to include a rider that suspends enforcement of environmental laws for a logging program on U.S. public lands	Process terminated—Secretariat determined submission criteria not met
3	Mexico	Comité para la Protección de los Recursos Naturales, A.C., et al. (1996)	A public harbor terminal for tourist cruises on the island of Cozumel was initiated without a declaration of environmental impact	Factual record prepared. Council will determine whether to make public
4	Canada	Mr. Aage Tottrup, P. Eng (1996)	Failure to enforce Canadian and Alberta environmental laws resulting in the pollution of wetlands impacting fish and migratory bird habitats	Process terminated—Secretariat determined government response not merited
5	Canada	Friends of the Old Man River (1996)	Failure to enforce habitat protection sections of the Canadian Fisheries Act and the Canadian Environmental Assessment Act and charges that there has been a de facto abdication of legal responsibility by the Canadian and provincial governments	Process terminated—Secretariat determined factual record not warranted
6	United States	The Southwest Center for Biological Diversity, et al. (1996)	Fort Huachuca (AZ) base expansion will drain local water supply and destroy ecosystem dependent on it (San Pedro Reservoir)	Process terminated—Submitter withdrew after Secretariat reviewed U.S. government response
7	Canada	British Columbia Aboriginal Fisheries Commission, et al (1997)	Failure to enforce the Canadian Fisheries Act and failure to protect fish and fish habitat in British Columbia from hydro-electric dam	Secretariat reviewing submission in light of Canadian response

(continued)

Case no.	Country	Submitter(s) and year filed	Complaint	Status
8	Mexico	Comité pro Limpieza del Rio Magdalena (1997)	Failure to enforce Mexican environmental legislation governing the disposal of wastewater into the Magdalena River in the state of Sonora	Secretariat reviewing
9	Canada	Centre Quebecois du Droit de L'environement, et al. (1997)	Failure to enforce environmental standards related to agriculture, especially hog farms	Secretariat requested and is awaiting Canadian response
10	Canada	Canadian Environmental Defense Fund (1997)	Failure to conduct an environmental assessment of "The Atlantic Groundfish Strategy" jeopardizes the future of Canadian East Coast fisheries	Secretariat determined submission criteria not met; submitter has 30 days to resubmit filing
11	Canada	Animal Alliance of Canada, et al. (1997)	Canada has yet to fulfill one of its main requirements under the Biodiversity Convention—to pass endangered species legislation or regulations	Secretariat reviewing

Labor Submissions Under the North American Agreement on Labor Cooperation

Case no.	Submitted by	Issue	Status
1 2	International Brotherhood of Teamsters United Electrical, Radio and Machine Workers of America	In late 1993, Honeywell Manufacturas de Chihuahua allegedly fired about 20 employees involved in union organization. Management allegedly pressured these workers into signing resignation forms, accepting the statutory severance pay, and relinquishing claims for reinstatement	The U.S. National Administrative Office concluded that the information in both submissions was insufficient to establish that the government of Mexico failed to enforce its labor laws. The Secretary of Labor proposed to the governments of Mexico and Canada the development of a comprehensive cooperative program to address these issues
3	International Labor Rights Education and Research Fund, National Association of Democratic Lawyers of Mexico, Coalition for Justice in the Maquiladoras, and the American Friends Service Committee	Workers at a plant of Sony Corporation (Magneticos de Mexico) in Nuevo Laredo, Tamaulipas, Mexico, were allegedly intimidated, pressured, and dismissed by the company when they attempted to organize a union	After holding a public hearing, the U.S. National Administrative Office recommended ministerial consultations, which resulted in a series of seminars and other activities designed to address the issue of union registration in Mexico. A followup review conducted by the National Administrative Office was issued in December 1996
4	United Electrical, Radio and Machine Workers of America	The case concerned the alleged violation of freedom of association and the right to organize by a General Electric Company subsidiary in Mexico	The union withdrew the submission prior to the completion of the review process
5	Telephone Workers Union of the Republic of Mexico	The submission concerned the closure of a Sprint Corporation subsidiary in San Francisco prior to a scheduled election on union representation	Mexico's National Administrative Office requested ministerial consultations. These led to a public forum and a report on the effects of sudden plant closings on freedom of association in each country, issued by the Commission for Labor Cooperation in June 1997
6	Human Rights Watch/Americas, International Labor Rights Fund, and the National Association of Democratic Lawyers of Mexico	When employees of the Mexican federal government's Single Trade Union of Workers of the Fishing Ministry attempted to receive recognition for their union, the Mexican government allegedly violated their freedom of association and the right to organize	After holding a hearing, the U.S. National Administrative Office recommended ministerial consultations on the relationship between international treaties, constitutional provisions, and domestic law protecting freedom of association. On September 3, 1997, the three labor ministers agreed to conduct a formal exchange of information and hold a public conference on issues raised by the case

(continued)

Case no.	Submitted by	Issue	Status
7	Communications Workers of America, Union of Telephone Workers of Mexico, and the Federation of Unions of Goods and Services Companies of Mexico	When workers at Maxi-Switch in Cananea, Sonora, Mexico, organized a union, the company's management allegedly threatened and intimidated them, creating a nonexistent "phantom union" in order to avoid bargaining with the workers' union	Before the scheduled hearing, the submitters withdrew the submission after resolving the dispute to their satisfaction
8	Human Rights Watch/ American, International Labor Rights Fund and the National Association of Democratic Lawyers of Mexico	The submission contains allegations about discrimination against female employees in Mexico's export processing (maquiladora) sector, including mistreating or discharging pregnant employees in order to avoid paying maternity benefits	The U.S. National Administrative Office has accepted the submission for review and is gathering information on the case before determining if ministerial consultations should be requested

Related GAO Products

Trade Liberalization: Western Hemisphere Trade Issues Confronting the United States (GAO/NSIAD-97-119, July 21, 1997).

Commercial Trucking: Safety Concerns About Mexican Trucks Remain Even as Inspection Activity Increases (GAO/RCED-97-68, Apr. 9, 1997).

International Environment: Environmental Infrastructure Needs in the U.S.-Mexican Border Region Remain Unmet (GAO/RCED-96-179, July 22, 1996).

Commercial Trucking: Safety and Infrastructure Issues Under the North American Free Trade Agreement (GAO/RCED-96-61, Feb. 29, 1996).

Mexico's Financial Crisis: Origins, Awareness, Assistance, and Efforts to Recover (GAO/GGD-96-56, Feb. 23, 1996).

U.S.-Canada Free Trade Agreement: Factors Contributing to Controversy in Appeals of Trade Remedy Cases to Binational Panels (GAO/GGD-95-175BR, June 16, 1995).

Dislocated Workers: An Early Look at the NAFTA Transitional Adjustment Assistance Program (GAO/HEHS-95-31, Nov. 18, 1994).

NAFTA: Structure and Status of Implementing Organizations (GAO/GGD-95-10BR, Oct. 7, 1994).

Dislocated Workers: Proposed Re-employment Assistance Program (GAO/HRD-94-61, Nov. 12, 1993).

Dislocated Workers: Trade Adjustment Assistance Program Flawed (GAO/T-HRD-94-4, Oct. 19, 1993).

North American Free Trade Agreement: Assessment of Major Issues (GAO/GGD-93-137, Sept. 9, 1993, 2 vols.).

U.S.-Mexico Trade: The Maquiladora Industry and U.S. Employment (GAO/GGD-93-129, July 20, 1993).

NAFTA: Issues Related to Textile/Apparel and Auto and Auto Parts Industries (GAO/T-GGD-93-27, May 5, 1993).

U.S. Trade Data: Limitations of U.S. Statistics on Trade with Mexico (GAO/GGD-93-25, Apr. 28, 1993).

CFTA/NAFTA: Agricultural Safeguards (GAO/GGD-93-14R, Mar. 18, 1993).

Pesticides: U.S. and Mexican Fruit and Vegetable Pesticide Programs Differ (GAO-T-RCED-93-9, Feb. 18, 1993).

U.S.-Canada Trade (GAO-GGD-93-10R, Dec. 12, 1992).

Dislocated Workers: Improvements Needed in Trade Adjustment Assistance Certification Process (GAO/HRD-93-36, Oct. 19, 1992).

International Trade: Implementation of the U.S.-Canada Free Trade Agreement (GAO/GGD-93-21, Oct. 10, 1992).

North American Free Trade Agreement: U.S.-Mexican Trade and Investment Data (GAO/GGD-92-131, Sept. 25, 1992).

Dislocated Workers: Comparison of Assistance Programs (GAO/HRD-92-153BR, Sept. 10, 1992).

U.S.-Mexico Trade: Assessment of Mexico's Environmental Controls for New Companies (GAO/GGD-92-113, Aug. 3, 1992).

Pesticides: Comparison of U.S. and Mexican Pesticide Standards and Enforcement (GAO/RCED-92-140, June 17, 1992).

Mexican Oil: Issues Affecting Potential U.S. Trade and Investment (GAO/NSIAD-92-169, Mar. 18, 1992).

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (202) 512-6061, or TDD (202) 512-2537.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested