Letters

We welcome letters from readers, particularly commentaries that reflect upon or take issue with material we have published. The writer's name, affiliation, address, and telephone number should be included. Because of space limitations, letters are subject to abridgment.

No Bias in U.S. Trade Laws

TO THE EDITOR:

I read with interest the article by Profs. Hansen and Prusa entitled "Does Administrative Protection Protect?" in the Winter 1993 issue. Unfortunately, the authors' conclusions are not supported by the underlying data or appear to be the result of assumptions, not facts.

Before addressing the substance of the article, let me briefly comment on one of the underlying assumptions of the authors. While there are certainly articles (generally written by academics or attorneys representing import interests) that disparage the utility of trade laws in the United States and elsewhere, assumptions such as those made by the authors that "the rules governing antidumping and countervailing duty procedures are now so biased in favor of U.S. industries that it is often questionable whether any 'unfair' trade act was actually committed" are demonstrably wrong. Such views are not shared by the administrations (Democrat or Republican) that have had responsibility for the laws, the Congress that reviews the laws, or the industries that find themselves needing to use the laws.

U.S. trade laws provide substantial due process rights. They are subject both to judicial review and to GATT challenges by foreign countries. Since 1980, administration of the law has improved in terms of predictability and procedures. While the improved procedures and safeguards have increased the costs of participating, there can be little doubt that the process is the most open of any country's and, in this writer's view, the fairest.

Examples of "biases" presented by the authors—best information available (BIA) and price comparisons—are anything but. The BIA provisions in U.S. and international law permit agencies to encourage foreign producers to cooperate with the administrative process. Absent subpoena power and much longer proceedings, such an approach is both reasonable and responsible. Stated differently, BIA is only used where parties are unable or unwilling to provide the information requested. Agency and court decisions assure that BIA use fits the type of non-cooperation (if any) experienced. With regard to price comparisons, U.S. laws are no different from the laws of our trading partners in seeing that duties are assessed on a transaction-by-transaction basis. Any other approach ignores the very real problem of targeting of accounts or time periods by foreign competitors.

Contrary to the authors' assertions, Title VII cases are not a substitute for escape clause action. Title VII actions have as their focus actions of particular companies (price discrimination) or governments (subsidization). Cases are brought under Title VII to *neutralize* the price discrimination or the subsidization. Title VII cases do not require prices to increase on exports. In fact, the U.S. government is indifferent in antidumping cases whether home market prices drop (as long as remaining above cost), export prices increase, or there is some combination of the two. In some cases, domestic producers find themselves with no price relief whatsoever after a case has been brought and won. Similarly, if foreign governments discontinue certain subsidy practices, no duties will ultimately be due. Such cases must, by definition, be brought against specific countries—*i.e.*, those believed to engage in subsidizing the production of certain products or whose producers are believed to engage in price discrimination. The cases cannot and do not affect ordinary tariff levels or restrict import volumes. Domestic producers seek a return to true market forces, not deviations from them.

An escape clause action, by contrast, has as its target all imports from whatever source. The genesis of the action is not a deviation from market forces (*e.g.*, subsidization), but some unexpected harm to an industry in the importing country that requires an exemption from normal trading conditions to allow it to regroup or retreat. Remedies provided are increased ordinary customs duties or quotas, tariff-rate quotas, or VRAs. Because relief can lead to demands for compensation under Article XIX of GATT, presidential review is included.

The laws have totally different purposes. While the authors do not define what they mean by their claim that Title VII cases are a substitute for an escape clause action, I would dispute the claim, which presumably must be premised upon the existence of major "biases" in the Title VII cases, for the reasons previously reviewed.

For certain industries, if market conditions result in substantial structural excess capacity in the world marketplace, there may be significant pressure to dump products into open markets. If governments interfere with the likely worldwide downsizing, conditions of structural excess capacity can continue for years or even decades, resulting in substandard profitability for most or all producers and periodic rounds of trade actions. That, of course, has been the situation in the steel sector for 20 years. Title VII cases will generally be meritorious (price discrimination or sales far below cost or heavy subsidization), but require massive micro-cases. Escape clause actions are not really appropriate as the problem is not limited to the importing country—stated differently, structural changes are needed globally, not locally.

To the extent that relief under Title VII is too difficult to obtain or requires too many repeat cases to deal with shifting country sourcing patterns or circumvention, petitioners are encouraged to research and find all price discrimination or all subsidies and seek redress at one time under Title VII—or to file an escape clause action, such as was done in 1984 in steel (the exact opposite of escape clause actions being replaced by Title VII cases). The solution to this problem is not limiting access to the law, but having more acceptable ways of dealing with circumvention and injury standards that make relief available to industries early.

The data presented in the article on industry performance before the filing of cases and the impact on imports under both Title VII and escape clause actions support findings that cases are brought by industries that are experiencing significant problems (*i.e.* "material injury"), and that industries bringing escape clause cases are experiencing problems that are a quantum level greater than industries filing under Title VII (consistent with the much higher standard and contrary to the assertion that Title VII cases are substitutes for escape clause actions). The fact that only 6 percent of cases filed with Commerce resulted in negative dumping or subsidies findings similarly supports the conclusion that cases filed under Title VII are well-researched and well-founded—not that the system is somehow inherently biased.

Not surprisingly, if price discrimination or subsidization is alleged and found, and if the injury criteria of Title VII or the escape clause provisions are met, one would expect imports to be reduced after the cases are brought. Figure 2 in the article supports that conclusion. Because escape clause cases impact tariff rates or quantities permitted into the country, it is hardly surprising that import volume drops are sharper where escape clause relief is granted than under Title VII relief.

Thus, the article would appear to support that petitioners are generally very responsible in the cases filed (indeed considering the very large costs needed to research and file cases, such a result is intuitively obvious).

Contrary to Prusa and Hansen's assertion, the neutralization of price discrimination and subsidization can be very effective tools. The charts on page 42 don't identify the constituent industries that are reportedly being examined by the authors. From personal experience I know that many of the cases filed do not have published domestic industry data for the product(s) of particular interest. Thus, it is assumed that the data are at the four-digit SIC level or something similar—rendering the data of doubtful utility for the purpose used. Moreover, because of the heavy percentage of the total Title VII and escape clause cases during the period involving the steel industry, and the on-again, off-again nature of the cases for that industry (major antidumping and subsidy cases were filed in 1982 and withdrawn; some new cases were filed in 1984-85; the escape clause action was filed in 1984), the charts seem primarily influenced by the events in the steel industry—a heavily cyclical industry that often differs substantially from other industries. If this is true, Figure 3 provides very little insight into the utility of the relief provided.

I have a few additional points. First, steel prices have risen much less than the overall inflation rate. Hence, the trends in shipments for industries receiving Title VII and escape clause relief may merely reflect this fact and not poor performance by the domestic industries in maintaining market share. Such facts also disprove the assumption that somehow the "protection" provided cost consumers (indeed, the fact that dumping and subsidies were essentially unactionable resulted in depressed prices for imports in steel throughout the period).

Second, in many discrete cases, relief has been obviously effective. The bearings cases in 1986-1988 are one example. The industry had suffered losses of assets of some $1 billion in the first half of the 1980s, with large increases in import penetration. After the orders were imposed, there was a substantial reduction in imports and substantial increases in capital expenditures such that by 1995, the $1 billion in lost capital expenditures will have been replaced. The success of these cases would have been substantially greater but for major problems of circumvention (documented in a second antidumping petition on ball bearings filed in 1990) and by substantial sales below cost by the foreign bearing companies' U.S. subsidiaries. These facts are documented in a February 1993 report from the Department of Commerce.

Third, contrary to the authors' assertions, petitioners are not generally declining industries. This statement presumably reflects the data that the steel industry has been forced to repeatedly file cases that were never completed or resulted in some interim solution. As the cases filed demonstrate, however, the antidumping and/or countervailing duty laws have increasingly been utilized by the semiconductor industry, the telecommunications equipment industry, the chemical industry, and the other high-technology industries, all of which need rational market conditions to justify the continuing capital expenditures, R&D, and other investments to remain internationally competitive.

While there are certainly many cases that have been filed under Title VII on mature products, this fact does not make the laws somehow ineffective, needed only by those "desperate to fend off competition." The authors appear to have started from the premise that Title VII and the escape clause are "protectionist" tools, biased against imports, and inherently ineffective. Their "analysis" not surprisingly looks for easy signs that their premise is true. Such analyses do little to advance the debate on shaping national trade policies.

Strangely, the authors do not address the reality that price discrimination and government subsidies promote irrational allocation of resources internationally. The fact that many countries have a variety of barriers to the free movement of goods or have policies of supporting national champions at substantial costs leads to a dramatic skewing of resource allocation internationally. Failure to correct such false signals results in other industries making investment decisions on a false sense of competitive advantage, compounding the misallocation of resources internationally. Clearly, trade laws are not a panacea. Just as clearly, they serve an important, internationally agreed role in assuring that market forces and not market distortions determine the outcome of international competition.

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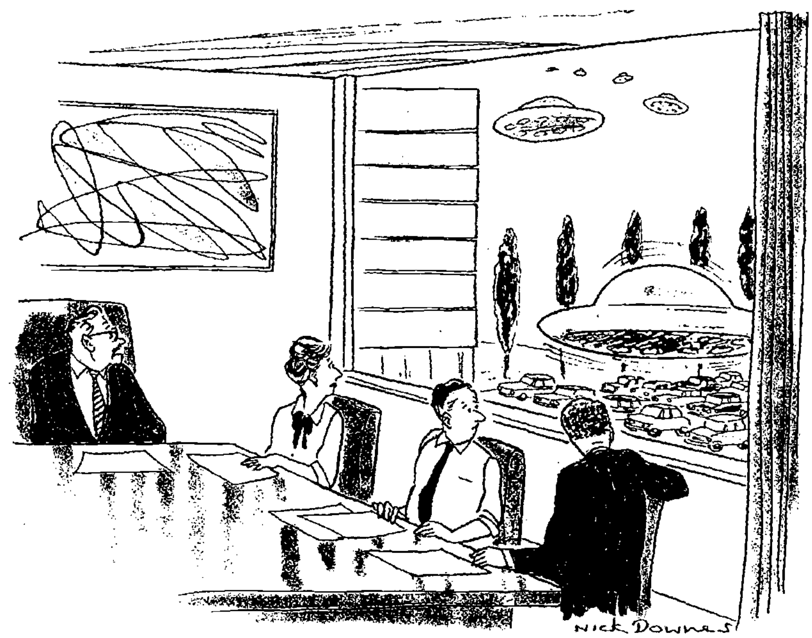
Steel or no Steel, Administrative Protection is Still a Failure

HANSEN and PRUSA reply:

We disagree with much of Mr. Stewart's analysis. His approach reminds us of the children's story "The Emperor's New Clothes." In Mr. Stewart's version of the workings



"My God, we have enough trouble competing globally."

of U.S. trade laws, Congress proclaims that the laws they write are not biased, and the loyal users of the laws, U.S. industries, trumpet their fairness. As in the story, just because the emperor says he is wearing new clothes doesn't mean that he is not naked; similarly, just because industries (and their lawyers) claim that the laws are fair doesn't mean that the laws are not biased. Despite Mr. Stewart's protestation to the contrary, the consensus view is that the rules and procedures governing U.S. trade laws are heavily skewed in favor of U.S. industries.

Stewart's main contention is that our trade laws are not biased. First, he argues in favor of use of best information available (BIA). While BIA might be necessary in cases when foreign firms are unwilling to respond to Department of Commerce requests, there is no question that in practice this method favors domestic petitioners. Why is this the case? Foreign firms receive questionnaires that are on the order of a hundred pages long, in English, requesting information on individual home market sales, U.S. market sales, and even third country sales, typically over a six-month period. This information must be gathered, recorded, and transmitted to Commerce in hard copy and computer readable format. All of this must be done within extremely short time periods as required by U.S. statutes. Even if a foreign firm is able to respond to this request, Commerce may still use BIA if *any* of the information is omitted. Moreover, if a foreign firm is unable to provide trustworthy data, it doesn't make sense to use the information provided by the domestic petitioner to calculate margins (as is Commerce's practice) because it is in the petitioner's best interest to overstate its case. Finally, if BIA is not biased in favor of U.S. industries, then why has research shown that when Commerce uses BIA, dumping margins are higher than when BIA is not used?

Second, Stewart contends that the method of averaging in computing dumping margins is fair because it is also used by our trading partners. While it is true that many other countries have mimicked our procedures, this is certainly no justification for this practice and only underscores the importance that the United States devise more reasonable rules. After all, U.S. exporters face these same biased methods in foreign markets. To exemplify the upward bias to this calculation, consider a foreign firm that on each of three different occasions sells 100 widgets on its home market and also to the U.S. market. Imagine that this firm (thinking it is abiding by antidumping laws) has established a policy of always setting the same price in both markets. Because of changes in market demand, the price varies on a day-to-day basis: on day one, the price is 10, on day two the price is 12, and on day three the price is eight. By any reasonable standards this firm has not dumped. However, under the United States's method of averaging, there is a dumping margin. The average home market price is 10. The day three transaction undercut this average by two, leading to a dumping margin of 6.7 percent.

There are other widely discussed biases in the laws. Among these are the 8 percent profit margin and 10 percent overhead allowance in constructed value calculations, Commerce's exclusion of home market sales below the full cost of production, and the calculation of domestic subsidies.

Stewart also seems confused about what we mean by our claim that Title VII cases substitute for escape clause actions. He suggests we mean that Title VII and escape clause (or safeguard) protection are the same. As we clearly state in the introduction, the protection is *not* the same, but the rules by which protection is granted are such that industries are filing Title VII cases when escape clause actions are more appropriate. Stewart also contends that this idea is supported only by academics and import interest groups. This is a surprising statement considering the following quote taken from the President's 1990 Annual Report of the Trade Agreements Program: "In some instances, countries have been unwilling or unable to conform to Article XIX procedures when imposing safeguard measures. This. . .may have lead to an excessive reliance on unfair trade statutes to resolve trade problems." (p. 38) In the executive branch's own words, countries have been unwilling to impose escape clause protection in a manner specified by GATT (*i.e.*, Article XIX) and have instead begun to rely on the unfair trade statutes.

Stewart somehow finds solace in the fact that only 6 percent of dumping cases have been rejected by Commerce; according to him, this implies that Title VII cases are well-researched and well-founded. This claim clearly has no basis and illustrates his predisposition in favor of the laws. He assumes that a low rejection rate implies that most cases are justified. We wonder how Stewart would feel if instead Commerce had rejected 94 percent of the cases. Would this reflect poorly researched petitions or a possible bias against domestic complainants?

Stewart rightly argues that the bulk of Title VII cases have involved the steel and steel-related industries (we pointed this out in Table 1), and thus that the results presented in our paper are influenced by trends in those industries. However, Stewart confuses the fact that the steel industry is quite large when compared with the other industries filing for Title VII protection with the fact that *trends* in the data are remarkably similar across industries. Contrary to Stewart's suggestion, excluding steel doesn't change the nature of our results, which emphasized trends in the variables.

Specifically, the steel industry is significantly larger than the other industries filing Title VII actions: when we exclude steel, the average industry employment and shipments are about one-third as large and new capital spending is about one-fifth as large as compared with when we include steel. Import trade and foreign producers' share of the U.S. market are roughly the same whether or not steel is included.

However, trends in these other industries are quite similar to those in the steel industry. Consider the following:

• Our Figure 1 gave evidence that industries filing for relief were declining. The same inference is made when we exclude steel from the analysis: employment falls by about 5 percent, shipments grow slowly, capital spending falls (by about 10 percent during the year prior), and import market share grows rapidly.

• Figure 2 showed that imports rose approximately 22 percent prior to the filing and fell by about 5 percent after the filing (for industries receiving protection). When steel is excluded these numbers change to a 20 percent rise and a 2 percent rise, respectively.

• Figure 3 gave evidence that protection does not rejuvenate the industries. When steel is excluded this finding is as strong, if not stronger. Excluding steel we find that employment falls by almost 20 percent following protection, shipments are very flat (only a 1 percent increase during the three years following), capital spending falls by 15 percent, and foreign producers' market share grows by almost 10 percent.

All in all, we feel our results are quite robust whether or not steel is included in the analysis.

Finally, Stewart seems to have a hard time accepting the fact that high-technology industries can also be declining. He associates the term "declining" with "dinosaur" or "dying." This is not what we intended. Even high-technology industries like semiconductors decline. In 1980, U.S.-based firms had about 70 percent of the world DRAM market and by 1990 their share had declined to about 20 percent. In fact, the bifurcated approach to determining injury, adopted by many International Trade Commission commissioners, encourages industries in poor health to seek Title VII protection. This method is biased against healthy industries that are truly injured by unfair foreign practices.

In conclusion, none of Mr. Stewart's objections changes our conclusions. It is still our view that Title VII actions often substitute for escape clause actions. We also believe that the design of the laws leads declining industries, rather than industries injured by dumping or subsidization, to file complaints. We are also convinced that even when granted, protection often does not encourage domestic industries to retool and grow. The end result, then, is a heavy cost borne by U.S. consumers.

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Greenness of NAFTA Just an Illusion

TO THE EDITOR:

In his article "Green Herrings: NAFTA and the Environment" in the Winter 1993 issue, Roberto Salinas-León provides us with a glimpse of how the Mexican government would have you view environmental issues in the North American Free Trade Agreement debate. He calls Clinton's push for a supplemental agreement protecting the environment an "unnecessary roadblock" that hinders the passage of a pact for which "the environmental clauses already provide all the guarantees necessary that NAFTA will not compromise the continuing improvement of North American environmental standards." However, the author does not account for the environmental destruction under the Mexican government's current NAFTA-style economic liberalization program and fails to address a single shortcoming in the agreement itself.

Salinas-León states that the principal obstacles to the enforcement of Mexico's rigid environmental regulations—lack of funds and trained personnel—will be remedied by the massive wealth pouring into the country once the fury of free trade is unleashed. What he fails to notice, however, is that the liberalization program sponsored by Mexico's ruling PRI party over the past 10 years has done little more than pad the coffers of multinational corporations while causing bankruptcies, high unemployment, and staggering environmental degradation.

There have been many losers in Mexico's quest for riches: hundreds of thousands of impoverished *maquiladora* workers ingest tainted drinking water, fishermen face decreasing production because of PEMEX's offshore drilling programs, and Mexico City residents face skyrocketing health-care costs because of crippling air pollution.

The Mexican Ministry of Social Development, the author's would-be environmental watchdog, is not only underfunded and understaffed, but also suffers from a lack of government commitment. For instance, over a year after the deadly explosions in the Guadalajara sewage system, no one has been prosecuted despite the president's pledge to punish those responsible. Furthermore, the authoritarian nature of the PRI precludes any large-scale or serious public debate on the subject. Because independent environmental groups face such restricted access to information on government policies, they usually must contact colleagues here in the United States for information on events in their own country. This anemic debate and limited commitment demonstrate that the harsh environmental regulations in Mexico are merely window dressing, as are its always-ignored child labor laws, to attract support for the pact from the U.S. environmental community. The Salinas administration clearly has neglected environmental issues in the interest of rapid liberalization and interior expansion, and there is little reason to think this trend won't continue under NAFTA unless the priorities of the Mexican government are dramatically reversed.

There are also many problems with the provisions of the agreement itself. As an example of NAFTA's "greenness," Salinas-León cites the participants' promises in the preamble to "undertake [trade liberalization] in a manner consistent with environmental protection" and to "strengthen the development and enforcement of environmental laws and regulations." But, if we read past the flimsy rhetoric, we find that NAFTA, even with its proposed side deals, offers only vague pledges, provides little muscle to back up regulation, and ignores broader, but no less vital, issues such as sustainable development.

Many contend that, because of the participants' lack of commitment to the environment, there is a need for a tripartite commission to oversee regulations and dole out punishments. The current plans for the North American Commission on the Environment envision a weak think tank with no meaningful mandate that would do little more than issue insignificant reports on environmental degradation. This approach stands in sharp contrast to the powerful enforcement mechanisms that NAFTA creates to protect corporate interests. If the improvements that Salinas-León predicts are to occur, there must exist a credible body with the power to impose sanctions upon those responsible for violations.

Also notably absent from the NAFTA package are mechanisms for funding an estimated $20 billion border cleanup program. Slow diplomatic response to degradation caused by U.S.-owned factories in the region has left inhabitants to contend with 30 years worth of hazardous waste. In the future, illegal refuse dumping can only increase if predictions that NAFTA will provide incentives for the establishment of new border factories are carried out. There must be a credible assurance that some of the economic benefits accrued under the pact will be plowed back into preventing and abating this pollution. Such a mechanism would actually improve border conditions, instead of perpetuating the unacceptable status quo.

As the debate surrounding the environmental soundness of NAFTA continues to focus on specific issues such as border pollution or enforcement of standards, broader themes such as sustainable development are scarcely mentioned. While the pact offers a vital opportunity to institutionalize the prudent use of natural resources, the side agreements, as they are currently defined, are not tough enough to prevent unsustainable development practices that would deplete supplies of vital natural commodities before their time.

For example, under NAFTA, no country would possess the ability to control or ban the export of natural resources. Export restrictions are currently used by all three nations to conserve resources and encourage processing in communities close to the resource base, which, in turn, will benefit from a more diverse, stable economy. Without such controls resource prices are destined to remain low and the economies of those regions to become poorer and less diverse because income is dependent upon the rate of raw material extraction. Thus, the well-being of areas dependent on export commodities, such as fish, lumber, and energy supplies, is inextricably linked to unpredictable price trends.

There are many provisions in the agreement that allow for resource exploitation. For instance, each NAFTA participant must allow the other two nations the same access to natural resources that it provides its own citizens and domestic industry and, under proportionality clauses, access must be guaranteed for as long as those resources last, no matter how severe shortages of domestic resources eventually become. In addition, by protecting subsidies for oil and gas exploration from countervailing duty actions, NAFTA encourages increasing consumption of those non-renewable energy resources. This subsidy shelter removes any incentive for government conservation initiatives because such programs would be exposed to duty costs. Governments would, in essence, be penalized for seeking to conserve oil and gas deposits for future consumption. Such policies demonstrate that this pact will not correct the fatal flaw of uncontained free trade: its failure to provide for sustainable development.

NAFTA still has a long way to go before becoming as "green" as Salinas-León argues. A watered-down environmental side agreement with few provisions for enforcement, funding, and export controls will only harm NAFTA participants while hampering the pact's viability as a model hemispheric trade agreement. Given the primacy of a ratified NAFTA, its "greenness" should be indisputably guaranteed before implementation.

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NAFTA will Further Mexico's Environmental Progress

SALINAS-LEÓN replies:

Greg Hutton's assessment of my article is based on two assumptions: first, that Mexico's progress in environmental matters is mere "window dressing" in order to win votes in favor of NAFTA; second, that some sort of supranational bureaucracy with infallible environmental knowledge and muscle is required to assure that NAFTA does not lead to greater environmental degradation. Both assumptions are ill-grounded.

Hutton laments the absence of sufficient "greenness" in NAFTA and advocates the need for an "indisputable guarantee" that it incorporate tough environmental provisions before ratification. I, on the other hand, lament that explicit environmental concerns have found themselves in the text of an agreement which supposedly concerns the free exchange of goods and services between consenting adults capable of making rational decisions without the prior consent of Big Green Brother. Here, Hutton overlooks that NAFTA is a trade agreement, not an environmental pact. This

does not denigrate the importance of environmental concerns, but places them in proper context.

Admittedly, environmental imbalances are rampant in Mexico. Problems with toxic waste disposal, urban air pollution, and potable water availability continue. But Hutton's claim that these problems stem from the current government's program of economic liberalization reflects an extremely parochial analysis. Is Hutton aware that Mexico is the only underdeveloped country that spends more than 1 percent of its gross domestic product on environmental cleanup programs? Or that it is the only country which has shut down an oil refinery for environmental reasons? Or that the economic stabilization brought about by dramatic market reform has finally enabled the populace to develop the luxury of environmental conscience? NAFTA is not a panacea, let alone an environmental one. But the logic is simple: more trade brings greater wealth, and with it a better financial ability to address environmental problems.

Hutton claims that I fail to notice that the liberalization program forged since 1988 has wrought an economic hell on Earth. None of the grand economic achievements of the Salinas government's economic reform appears to matter to his assessment: bringing inflation down from 160 percent to 8 percent, achieving a balanced budget for three straight years (a lesson for the United States!), massive deregulation in mining, fishing, transport, water, ports, airports, airlines, highway construction, bridges, financial services, agriculture, housing, and much more; trimming down the state sector from 1,200 companies to 260; a sustained rise in real wages, after a decade of constant decline which lead to a 47 percent drop in purchasing power; an all-time high in foreign investment, capital repatriation, and foreign hard currency reserves; and more. Admittedly, multinationals have gotten rich and poverty still exists, but I doubt any of my Mexican compatriots wish to return to the lost decade of the 1980s. I wonder if Hutton knows that the Salinas administration, in stark contrast to Clinton, enjoys a popularity level of 80 percent? Or that the large majority of Mexicans polled consistently express approval of NAFTA?

Some of the problems that Hutton emphasizes do exist, along with the ones mentioned above—lack of information, oil subsidies, child labor laws (though I never knew those were environmental laws). We can admit that problems exist, as they do in the United States and Canada, but it is utterly false to claim that the Salinas administration has neglected "environmental issues in the interest of rapid liberalization." Hutton's callous parochialism is once again evident: in a country where 25 million people lack access to potable water, the priority is surely to ameliorate the needs of quantity before addressing considerations of quality.

Hutton suggests that the environmental clauses in NAFTA constitute "flimsy rhetoric," despite the fact that they have won world-wide acclaim as resulting in the greenest treaty ever negotiated. Does he have Article 905 in mind, which gives governments from the federal to municipal level the right to uphold their environmental standards? Or Article 1114, which discourages relaxing environmental regimes to attract investment? Moreover, Hutton laments the absence of mechanisms to fund a $20 billion U.S. cleanup program on the border. As usual, he fails to notice the welcome impact of NAFTA in supplying stable bilateral conditions to address the problems in a collaborative effort—as witness the Border Environmental Plan of 1992 and the recent accord to pour in $6.5 billion as part of a cleanup program in the parallel accords (60 percent of which will be supplied by Mexico, an amount vastly superior in GDP terms than the United States' contribution).

In addition, contrary to Hutton's prediction, NAFTA will lead to a dispersion of the *maquiladoras* from the border, because they will lose their current special trading privileges once the agreement is implemented. Also, I fail to see the point in Hutton's remark that NAFTA provides "powerful enforcement mechanisms. . .to protect corporate interests." To be sure, it provides a safer climate of investment in Mexico, a land historically suspicious of foreign investment; it provides immediate access to 84 percent of Mexico's non-oil exports into the U.S. market, with no quota restrictions; and it provides immediate access into Mexico for 40 percent of U.S. and Canadian exports, principally capital and intermediate goods which Mexico requires to modernize its productive structures.

In NAFTA's place, Hutton recommends what can only be characterized as environmental imperialism: a supranational bureaucracy to administer harsh punishment for those who fail to abide by a strict set of environmentalist norms. Then, vested interests could easily transform the accord into an instrument of surreptitious protectionism via green duties on exports and imports—the perfect smoke screen.

It bears repeating that NAFTA embodies great strategic significance for Mexico: it seals the permanence of market reform beyond a six-year presidential term. Continuing market reforms will give rise to new mechanisms to correct ecological imbalances: this is happening in water and agriculture, and will soon happen with the "pay-for-pollution" approach to air quality which the current government is considering. The environment deserves our attention, but a trade agreement is hardly the place to concentrate all of that attention—especially not in a spirit of punitive unilateral control.

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