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GREAT LAKES UNITED

**LABOR & ENVIRONMENT TASK FORCE MEETING
SATURDAY, OCTOBER 17, 1992
9:00 AM - 4:00 PM
UAW SOLIDARITY HOUSE
8000 EAST JEFFERSON AVENUE
DETROIT, MICHIGAN**

Dear Friend:

The Great Lakes United Labor & Environment Task Force will hold a day-long strategic planning meeting on Saturday, October 17th at UAW Solidarity House in Detroit. This meeting is being called to:

1. Bring together labor, environmental, and community leaders in the Great Lakes Basin to talk about ways we can work together to address the conflict between jobs and the environment.
2. Formulate an action plan for implementing the 6 Labor & Environment Task Force resolutions adopted at the 1991 and 1992 Great Lakes United Annual Meetings. These resolutions, which are enclosed with this mailing, address the following areas:
 - Pollution Prevention & Income Protection
 - Clean Water Act & Income Protection
 - Expanding Right To Know in U.S. and Canada
 - Occupational Safety & Health
 - Free Trade
3. Plan efforts to expand Task Force membership, by bringing in more labor, environmental, and community organizations.
4. Adopt a decision-making structure for the Task Force.
5. Plan efforts to fund the work of the Task Force through grants and other sources.

An international organization dedicated to conserving and protecting the Great Lakes and St. Lawrence River"
State University College at Buffalo, Cassety Hall • 1300 Elmwood Avenue, Buffalo, New York 14222
(716) 886-0142
Canadian Address: P.O. Box 548 Station A • Windsor, Ontario N9A 6M6

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If you would like to attend this meeting, but cannot afford the trip, Great Lakes United does have some funding available to help you meet the costs of travel and lodging. Lunch will be provided free of charge. I will phone you soon to confirm your attendance and help you arrange overnight accommodations if you need them.

The following items are enclosed with this notice to help you prepare for the October 17th meeting:

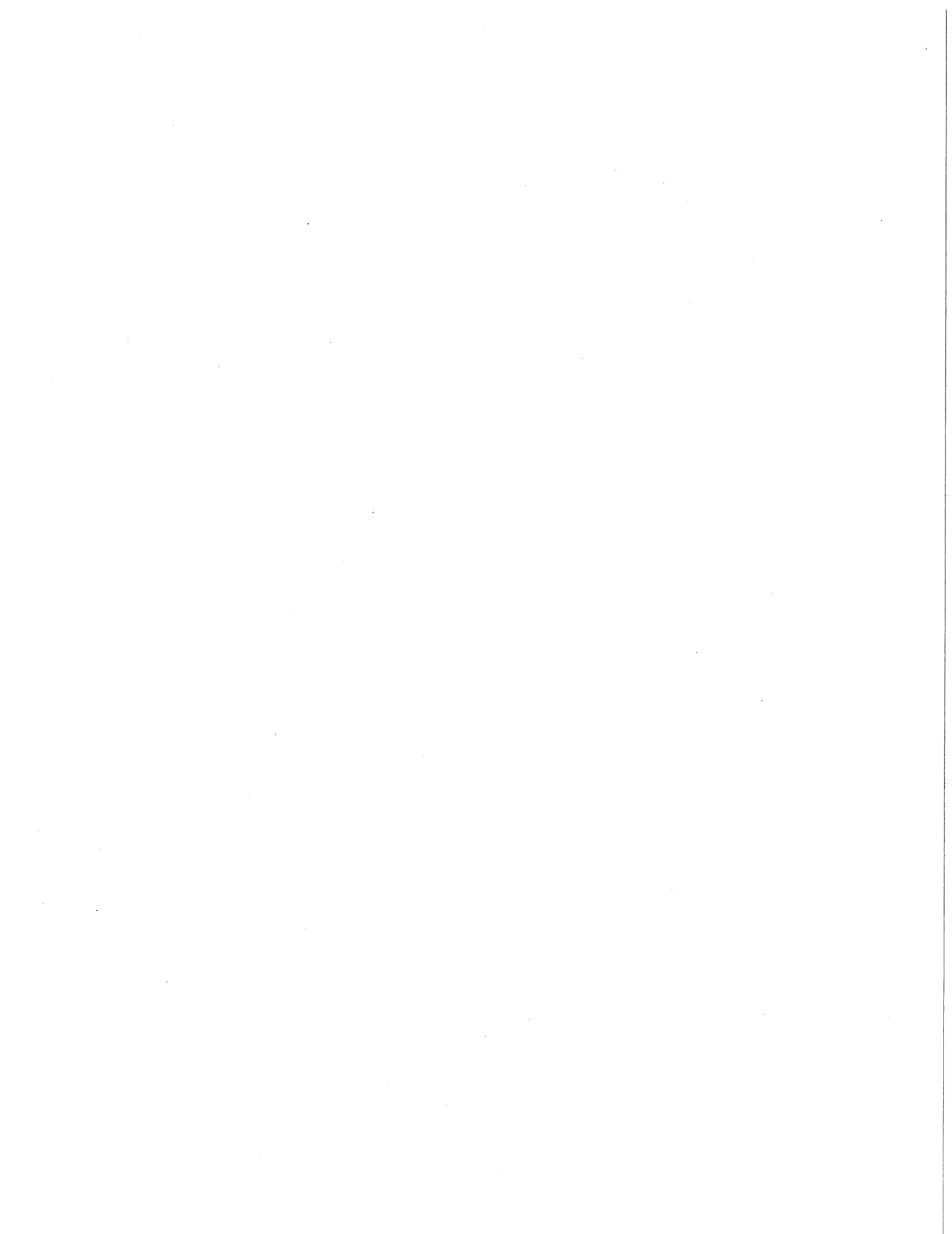
- Labor & Environment Task Force Resolutions
- Task Force Mission Statement
- New York State Senate report on impact of U.S. - Mexican Free Trade Agreement on the State
- A map of Detroit showing the location of Solidarity House.

For more information about the planning meeting, feel free to call me at the Great Lakes United Buffalo Office (716) 886-0142.

Sincerely Yours, ~



Tony Luppino
Pollution Prevention Coordinator



SUPPORT BASIN BUSINESSES

WHEREAS, Great Lakes United is an organization of the Great Lakes Basin; and

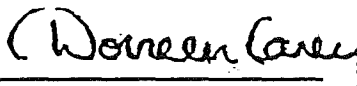
WHEREAS, Great Lakes United's goal is the betterment of the whole Great Lakes Basin; and

WHEREAS, the health and well-being of the whole of the Great Lakes Basin is a fundamental concern; and

WHEREAS, Great Lakes United members are primarily working men and women and families of the Great Lakes Basin; and

THEREFORE BE IT RESOLVED, that Great Lakes United make it a policy to look first at purchasing, where possible, environmentally sound products that are produced in unionized shops within the Great Lakes Basin in order to promote a sustainable economy in the Basin.

I HEREBY CERTIFY THAT THIS IS A TRUE COPY OF A RESOLUTION ADOPTED AT THE TENTH ANNUAL MEETING OF GREAT LAKES UNITED ON MAY 3, 1992.


Dorreen Carey, Secretary

CLEAN WATER ACT AND INCOME PROTECTION

WHEREAS, the labor movement in the U.S. and Canada has supported Great Lakes United and other environmental programmes for the protection and restoration of the Great Lakes ecosystem; **AND**

WHEREAS, the issue of environmental protection and quality jobs in the Great Lakes Basin is imperative; **AND**

WHEREAS, Great Lakes United has supported Toxic Use Reduction and Zero Discharge programs to protect and restore the Great Lakes Basin ecosystem; **AND**

WHEREAS, toxic reduction and zero discharge will impact on the stability and the quality of present and future jobs; **AND**

WHEREAS, Great Lakes United has resolved to introduce and promote the principle of worker compensation and economic protection as well as other options in all its pollution prevention policies and initiatives; **AND**

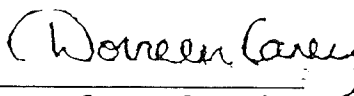
WHEREAS, the reauthorization of the U.S. Clean Water Act will be considered this year, 1992-1993.

THEREFORE BE IT RESOLVED, that Great Lakes United will work closely with affiliated labor organizations, the bi-national labor movement at large, and other environmental organizations in the U.S. and Canada, through the GLU Labor/Environment Task Force, to assure that the goals and interests of affected workers as well as those of the bi-national environmental community are considered to the maximum extent possible; **AND**

THEREFORE BE IT FURTHER RESOLVED that Great Lakes United will campaign for, educate on, fully support, and if necessary, initiate, the inclusion of income protection language in the Clean Water Act; **AND**

THEREFORE BE IT FURTHER RESOLVED that the GLU Labour/Environment Task Force will seek to work with the labour movement in Canada on an ongoing basis to explore and investigate legislative mechanisms for the inclusion of income protection language in Canadian clean water legislation, as well, such as MISA and others which may arise in the future.

I HEREBY CERTIFY THAT THIS IS A TRUE COPY OF A RESOLUTION ADOPTED AT THE TENTH ANNUAL MEETING OF GREAT LAKES UNITED ON MAY 3, 1992.


Dorreen Carey, Secretary

**EXPANDING RIGHT TO KNOW IN
CANADA AND THE UNITED STATES**

WHEREAS, citizens in Canada and the United States should have the right to know about the use, and release of toxic chemicals in their communities and their workplaces; **AND**

WHEREAS, thousands of businesses, large industries, municipalities, and other institutions across the Great Lakes Basin routinely use and store toxic chemicals that could cause catastrophic accidents such as the one that occurred in Bhopal, India in 1984; **AND**

WHEREAS, such an accident could cause tremendous damage to human and environmental health, as well as social and economic devastation for communities and workers at these facilities; **AND**

WHEREAS, community residents and workers bear the brunt of economic, social and health impacts from routine and catastrophic releases of chemicals; **AND**

WHEREAS, the only way to eliminate and minimize these impacts is through reduction and/or elimination in the use of toxic chemicals, and through community and worker decision-making about health, environmental, social and economic impacts; **AND**

WHEREAS, the Canadian Federal Government is currently developing a right to know programme for Canada, called the National Pollutant Release Inventory; **AND**

WHEREAS, the Canadian federal programme may require reporting on persistent toxic substances and by a wider range of facilities than is currently required in the United States including such facilities as sewage treatment plants and waste incinerators; **AND**

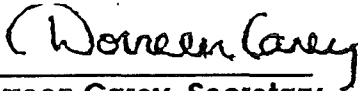
WHEREAS, a bill in the U.S. House of Representatives, H.R. 2880 – the Right to Know More Act – would expand the Right to Know provisions under the Emergency Planning and Community Right to Know Act of 1986 to provide the public with more information on the release and use of toxic chemicals and on hazardous waste streams; **AND**

WHEREAS, similar legislation to H.R. 2880 has been introduced in the U.S. Senate under two bills S. 2123 – the Right to Know More Act of 1991 – and S. 761 – the Hazardous Pollution Prevention Planning Act;

THEREFORE BE IT RESOLVED, that Great Lakes United urges the United States Congress to expand the current right to know reporting requirements to include more facilities and more chemicals, to close the recycling loophole, to require reporting on the use and production of toxic chemicals, to expand reporting on hazardous waste, and to require companies to develop toxic use reduction plans, by passing H.R. 2880 and equivalent Senate legislation; **AND**

BE IT FURTHER RESOLVED, that Great Lakes United urges the Canadian Federal Government to develop a strong, comprehensive right to know program that will require reporting on the use, production, and release of toxic chemicals, as well as information on the storage and handling of toxic chemicals that can be used to assist in emergency preparedness and accident prevention programmes.

I HEREBY CERTIFY THAT THIS IS A TRUE COPY OF A RESOLUTION ADOPTED AT THE TENTH ANNUAL MEETING OF GREAT LAKES UNITED ON MAY 3, 1992.


Doreen Carey, Secretary

**CALLING FOR THE PASSAGE OF THE UNITED STATES COMPREHENSIVE
OCCUPATIONAL SAFETY AND HEALTH REFORM ACT
(S. 1622, H.R. 3160)**

WHEREAS, each year more than 10,000 workers are killed by workplace hazards; AND

WHEREAS, more than six million workers are injured on the job each year, and 60,000 are permanently disabled; AND

WHEREAS, these staggering numbers of deaths, injuries, and diseases persist despite the 1970 enactment of the Occupational Safety and Health Act, whose mission is to "assure so far as possible every working man and woman in the Nation safe and healthful working conditions"; AND

WHEREAS, the inadequacies of current protections were tragically illustrated on September 3, 1991, when 25 workers were killed behind locked doors after a fire broke out at the Imperial Food poultry processing plant in Hamlet, North Carolina, which had never been inspected by states or federal OSHA officials in its 11 years of operation; AND

WHEREAS, new initiatives are needed to prevent workplace injuries, illnesses, and fatalities and the tremendous costs they impose on workers, employers, and our society as a whole; AND

WHEREAS, worker, community and environmental protections are all dependent on one another; AND

WHEREAS, the proposed OSHA Reform legislation would give workers a voice in protecting their health and safety on the job through joint safety and health committees; AND

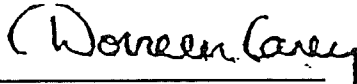
WHEREAS, the OSHA Reform legislation would improve enforcement of the law, extend OSHA coverage to millions of state and local employees and other workers who currently are denied coverage; require workplace safety and health programs and worker training; protect workers from retaliation for exercising their rights; and make other improvements to our nation's program for protecting the health and safety of workers on the job;

NOW THEREFORE BE IT RESOLVED, that Great Lakes United believes legislation is needed to strengthen and revise the Occupational Safety and Health Act; AND

THEREFORE BE IT FURTHER RESOLVED, that Great Lakes United supports the prompt passage of the Comprehensive Occupational Safety and Health Reform Act (S. 1622, H.R. 3160).

AND THEREFORE BE IT FURTHER RESOLVED, that Congress appropriate and allocate adequate funding to fully implement all aspects of the Reform legislation.

I HEREBY CERTIFY THAT THIS IS A TRUE COPY OF A RESOLUTION ADOPTED AT THE TENTH ANNUAL MEETING OF GREAT LAKES UNITED ON MAY 3, 1992.


Dorreen Carey, Secretary

**CALLING ON CONGRESS TO REJECT TRADE AGREEMENTS
THAT ABROGATE U.S. HEALTH, SAFETY, ENVIRONMENTAL AND LABOR LAWS**

WHEREAS, the Great Lakes Basin is home to one-tenth of the United States population and one-quarter of the Canadian population, **AND**

WHEREAS, the Great Lakes Basin is a unique and sensitive ecosystem containing roughly 18 percent of the world's fresh, surface water, **AND**

WHEREAS, the Great Lakes Basin is a major manufacturing center for the United States and Canada, encompassing 17 percent of U.S. manufacturing industry, **AND**

WHEREAS, the General Agreement on Tariffs and Trade, also known as GATT, is a global trade agreement begun in 1947 and currently under renegotiation which began in 1986, **AND**

WHEREAS, the draft final text of changes to the General Agreement on Tariffs and Trade, would require national governments to preempt state and local laws that could be construed as barriers to trade provisions under GATT, **AND**

WHEREAS, the proposed GATT and the North American Free Trade Agreement could weaken the authority of local and state governments throughout the Great Lakes Basin to establish appropriate health, safety, labor, environmental, purchasing and procurement standards, **AND**

WHEREAS, separate analyses by the Conference Board and the Fiber, Fabric and Apparel Coalition for Trade have indicated that due to the repeal of the Multi Fiber Agreement, acceptance of the current draft revisions of the GATT would result in the loss of over one million jobs in the textile and apparel industries in the United State, **AND**

WHEREAS, analyses of the effects of the pending North American Free Trade Agreement, also know as NAFTA have indicated that NAFTA will result in the loss of between 250,000 to 500,000 jobs in the electrical, auto and chemical industries in the United States, **AND**

WHEREAS, the Great Lakes Basin cannot suffer any further decline in the manufacturing and industrial sectors of its economy or in the protective standards for the environment, workers, and community residents, **AND**

WHEREAS, the current Fast Track Authorization will limit debate in the Congress of the United States with respect to these trade agreements, **AND**

WHEREAS, the Fast Track Authorization will not allow the United States Congress to amend any trade legislation presented to it, **AND**

WHEREAS, Resolution 246 in the United States House of Representatives, also known as the Waxman-Gephardt Resolution, and Senate Resolution 109, known as the Riegle Resolution, would commit the Congress to reject any trade legislation that would undermine the health, safety, environmental, and labor standards in the United States; **AND**

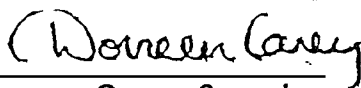
THEREFORE BE IT RESOLVED, that Great Lakes United calls upon the Great Lakes Basin delegation to the Congress to immediately co-sponsor H.R. Resolution 246 and Senate Resolution 109 and to assure their passage when brought to a vote, **AND**

THEREFORE BE IT FURTHER RESOLVED, that Great Lakes United calls upon the President of the United States to initiate and complete negotiations, as part of the Uruguay Round of GATT talks, to make the GATT compatible with the Marine Mammal Protection Act and other United States health, safety, labor, trade and environmental laws including those laws designed to protect the environment and workers outside the geographic borders of the United States, **AND**

BE IT FURTHER RESOLVED, that Great Lakes United calls upon the President of the United States to guarantee that the GATT, U.S./ Mexico or other trade agreements will not in any way reduce the authority of local and state governments to establish health, safety, labor, environmental, purchasing or procurement laws that the people and their elected representatives have passed.

BE IT FURTHER RESOLVED, that Great Lakes United calls on the President of the United States not to enter into any international agreement – including GATT and NAFTA – and Congress not to approve any international agreement, that weakens United States' manufacturing industries and fosters international wage competition that undermines workers living standards.

I HEREBY CERTIFY THAT THIS IS A TRUE COPY OF A RESOLUTION ADOPTED AT THE TENTH ANNUAL MEETING OF GREAT LAKES UNITED ON MAY 3, 1992.


Dorreen Carey, Secretary

RESOLUTION FROM GREAT LAKES UNITED TASKFORCE
ON LABOR AND THE ENVIRONMENT

WHEREAS, the labor movement in the U.S. and Canada has supported Great Lakes United and other environmental programs for the protection and restoration of the Great Lakes ecosystem; AND

WHEREAS, the issue of environmental protection and quality jobs in the Great Lakes Basin is imperative; AND

WHEREAS, toxic reduction and zero discharge could impact on the stability and quality of present and future jobs; AND

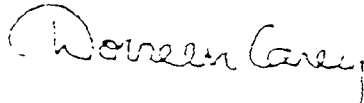
WHEREAS, the ability to achieve zero discharge through pollution prevention, toxics use reduction, and other changes in production processes and production choices will be integrally related to the mutual cooperation and efforts of the labor movement in the affected industries.

THEREFORE BE IT RESOLVED, that GREAT LAKES UNITED place a high and immediate priority on obtaining new funding to support the work of the Labor/Environment Task Force, with the objective of supporting paid staff time and providing other necessary resources; AND

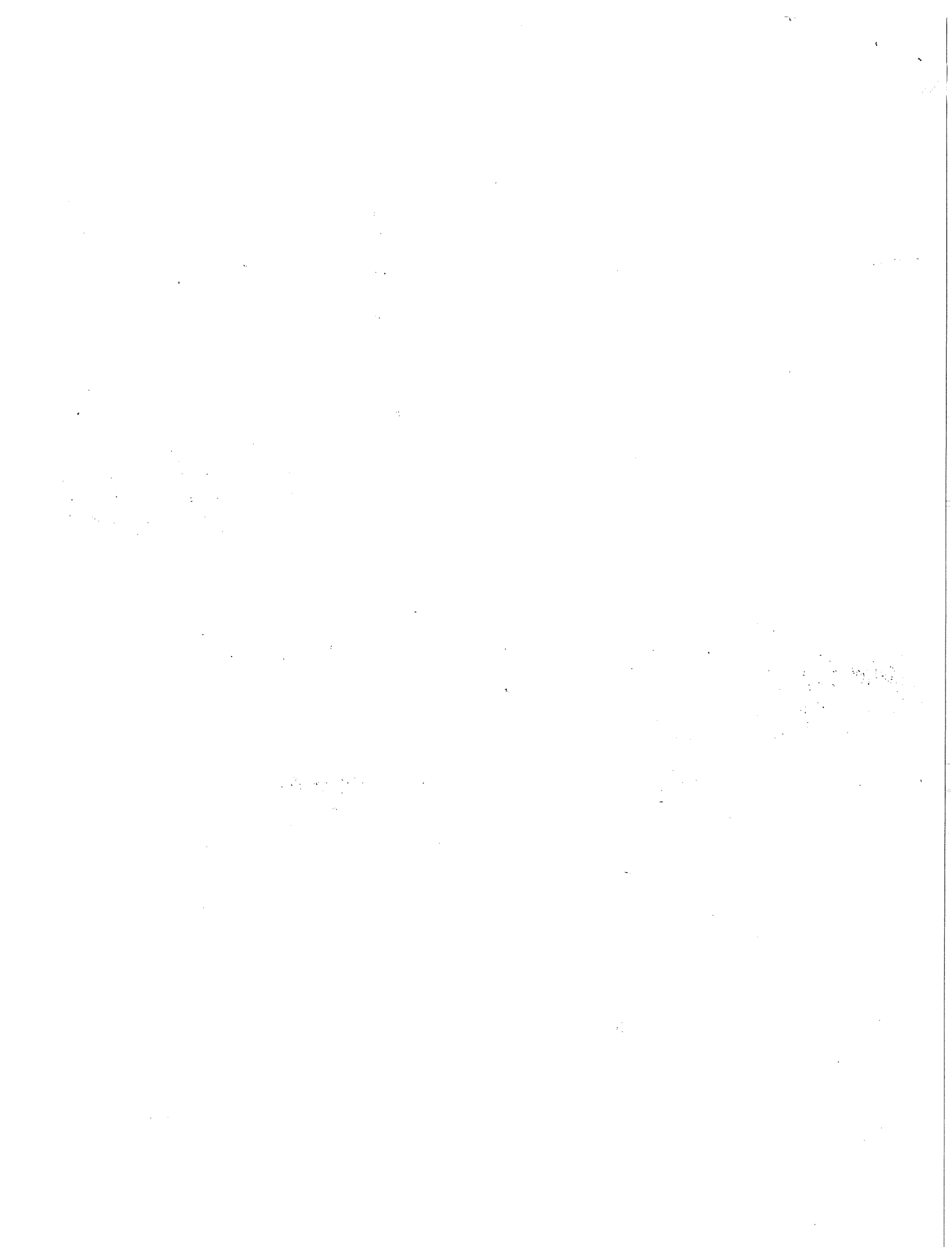
BE IT FURTHER RESOLVED, that GREAT LAKES UNITED will introduce and promote the principle of worker compensation and economic protection as well as other options in all its pollution prevention policies and initiatives; AND

BE IT FURTHER RESOLVED, that the GREAT LAKES UNITED'S Taskforce on Labour and the Environment will take responsibility for reviewing and evaluating current worker protection and compensation programs as they exist in the Great Lakes Basin with the future task of providing further policy recommendations to the Board as required.

I HEREBY CERTIFY THAT THIS IS A TRUE COPY OF A RESOLUTION ADOPTED AT THE ANNUAL MEETING OF GREAT LAKES UNITED ON MAY 5, 1991.



Dorreen Carey, Secretary



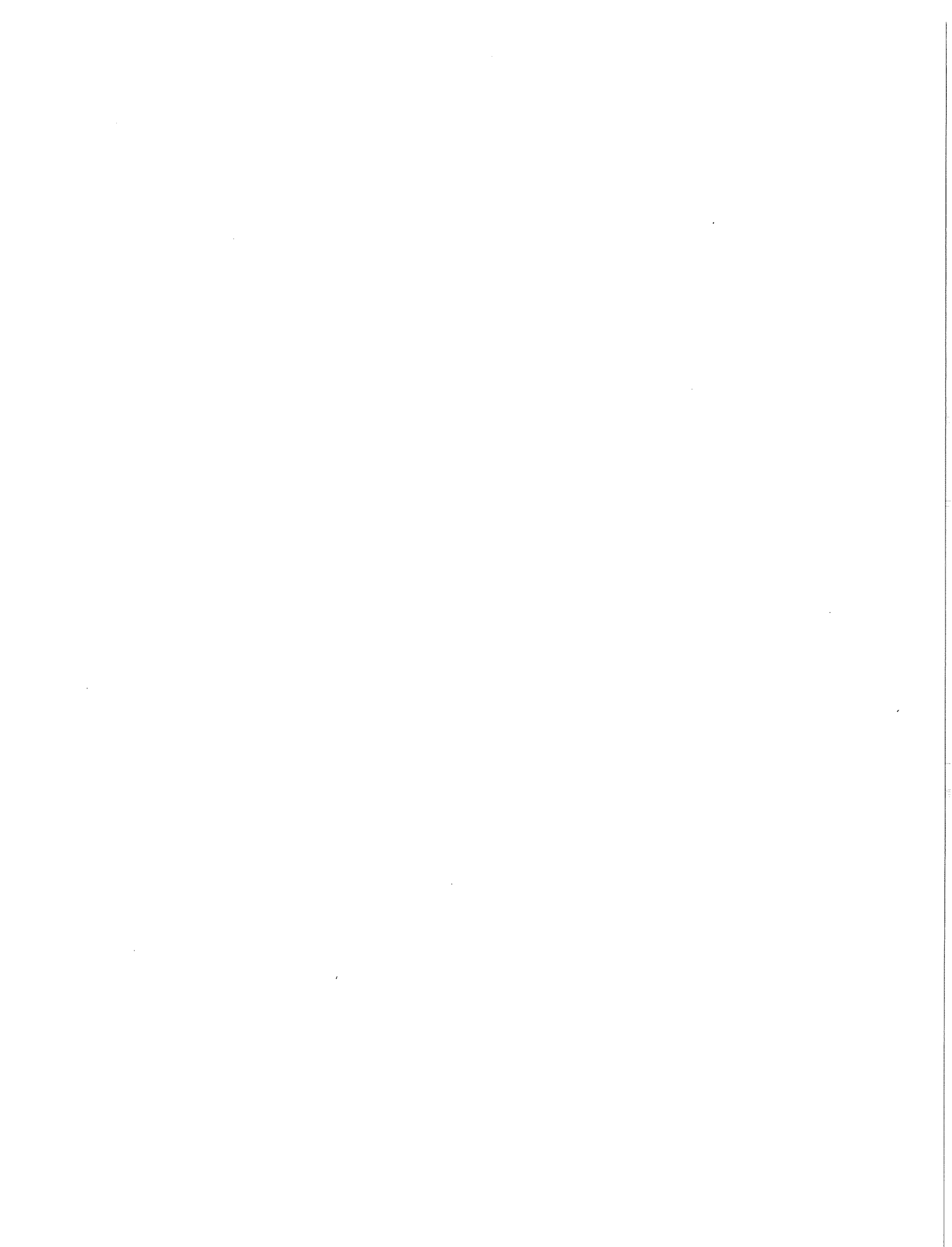
MISSION STATEMENT FOR THE LABOR/ENVIRONMENT TASK FORCE
OF GREAT LAKES UNITED, SPRING, 1991

With the commitment of Great Lakes United to zero discharge as a political goal, the Labor/Environment Task Force has been formed with the mission of building the alliance between the labor and environmental movements to the advantage of both.

It will be our task to look boldly at the question of jobs, what the impact of the struggle for source reduction and zero discharge will be on them, and how the environmental movement can support and contribute to the efforts of labor to fight job blackmail, job displacement, and job loss. We will also work for policies and programs that protect and compensate workers whose jobs may be affected by the fight for source reduction, process changes, product terminations, and zero discharge.

We will fight against the efforts of employers and governments to present the issue of environmental protection and environmental clean-up as a choice between earning a living and living in an environmentally healthy community. Following in the tradition of "an injury to one is an injury to all", the mission of this task force is to break down the barriers which have been used to separate environmentalists from workers, welding together the respective strengths of the labor and environmental movements into a unified force to fight in a common cause.

February, 1991



Free Trade For Whom?

The Impact Of The U.S. - Mexican Free Trade Agreement On Labor, The Environment & Economic Development In New York State

~ A Report To Congress ~

August 1992



New York State Senate Democratic Task Force on the
U.S. - Mexican Free Trade Agreement

Senator William T. Stachowski, Chairman

Senator Joseph L. Galiber

Senator Efrain Gonzalez, Jr.

Senator Suzi Oppenheimer

Senator Alton R. Waldon, Jr.

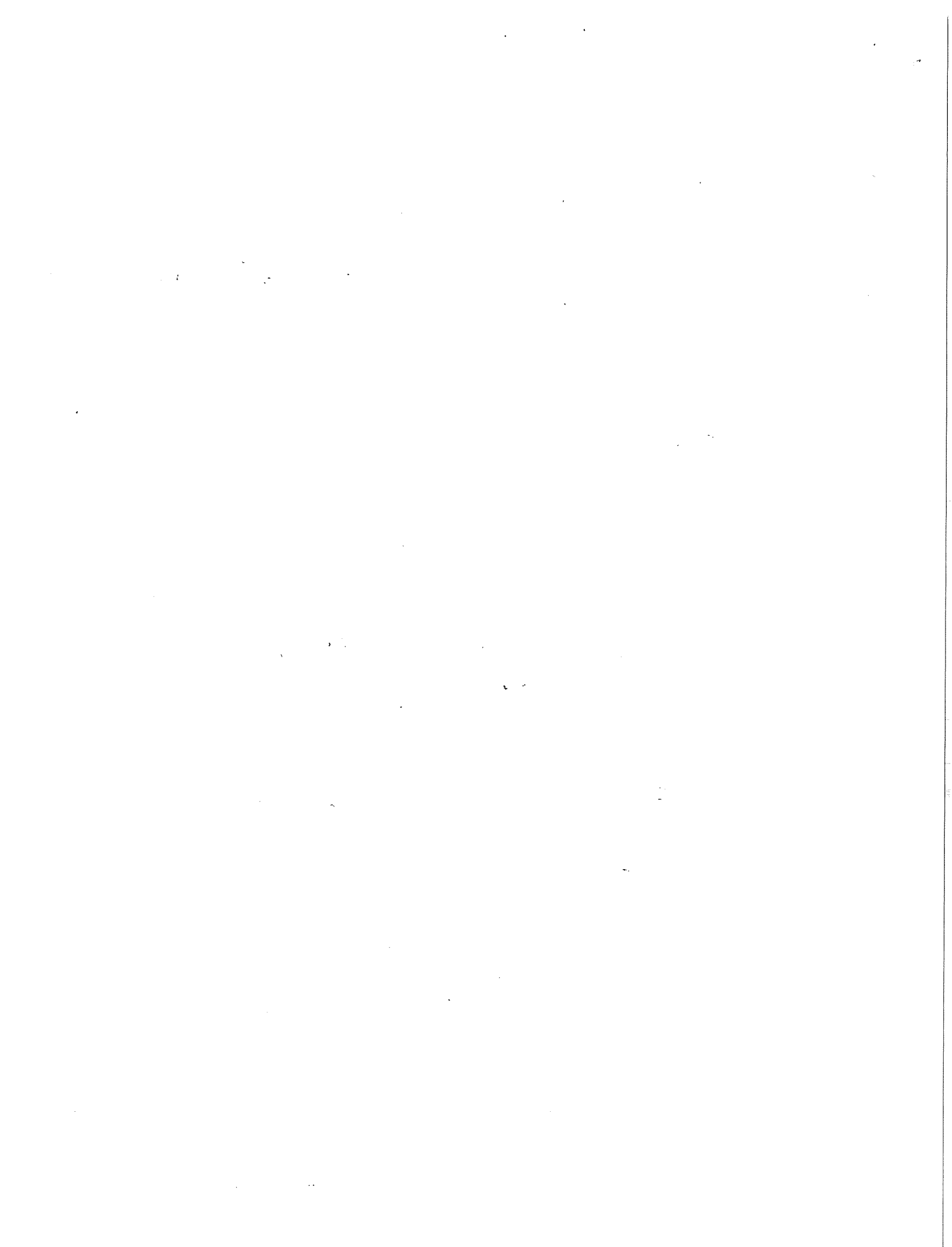


TABLE OF CONTENTS

◆	Task Force Summary	iv
◆	Background.	vi
◆	Statement of Governor Mario M. Cuomo	vii
◆	Findings and Recommendations	
I.	Labor	1
	A. Findings	
	1. What impact will the North American Free Trade Agreement have on collective bargaining and on the terms and conditions of employment?	1
	2. How will the NAFTA affect the enforcement of federal and state labor laws?	3
	3. Will New York State be able to provide adequate dislocated worker assistance for the period of time such assistance is necessary?	4
	4. How will the NAFTA affect the wages and working conditions of Mexican workers?	5
	5. To what extent will New York workers be affected by increased migration from Mexico?	6
	6. How will the productivity and competitiveness of New York's workforce be affected by the plant closings and downsizings expected to result from the NAFTA?	7
	B. Recommendations	9
II.	Economic Development	10
	A. Findings	
	1. What impact will the North American Free Trade Agreement have upon jobs in New York State?	10
	2. Which industries will be hurt?	11
	3. How will the State's economy be affected if these industries cease or reduce their operations here?	12
	4. Which New York based industries will grow under the NAFTA?	13

5.	a) What can New York expect to gain from the NAFTA?	
	b) Will domestic exports increase to Mexico if Mexican wages are low?	14
6.	To what extent have companies in New York State already moved their operations to Mexico?	15
7.	How will the NAFTA affect New York's recently increased trade with Canada under the U.S.-Canadian Free Trade Agreement?	16
8.	a) What measures should New York take against companies which receive state funds to develop their operations, training and employment and which subsequently cease or reduce their operations and move to Mexico?	
	b) How extensive is this problem?	16
9.	What is an appropriate content percentage for duty free goods which arrive in New York from Mexico under the NAFTA?	17
B.	Recommendations	17
III.	Environment	19
A.	Findings	
1.	How do environmental laws and their enforcement in New York State compare to those of Mexico?	19
2.	What effect does pollution in the Maquiladoras have upon the environment in Mexico?	21
3.	What is the effect of pollution from the Maquiladoras upon products used or consumed in New York State?	21
4.	What can be done to minimize the pollution from increased economic development under the NAFTA so as to avoid the environmental problems experienced at the Maquiladoras?	22
5.	What actions or programs may be undertaken to encourage the infrastructure necessary to protect the health of population centers in Mexico developing in concert with increased economic development under the NAFTA?	22
6.	How can New York prevent businesses from leaving the State if Mexico's environmental laws and enforcement are weaker?	22

7. a)	What should be done to assure that strong domestic environmental laws are maintained under the NAFTA?	
b)	Under the NAFTA, how will we be able to prevent the importation of products which do not meet our domestic environmental standards?	23
8.	What type of dispute resolution procedures and standards would be appropriate to ensure that State, local, and national environmental laws are not negatively compromised under the NAFTA?	25
B.	Recommendations	26
IV.	Agriculture	29
A.	Findings	
1.	What impact will NAFTA have upon assuring a continued safe supply of food in New York?	29
2.	How will NAFTA directly affect New York farmers and food processors?	30
3.	How will this Agreement affect farmworkers?	33
B.	Recommendations	33
♦	List of Oral and Written Testimony	35
♦	Acknowledgement	40

TASK FORCE SUMMARY

In theory, the free trade agreement which the United States is negotiating with Mexico is a "Win-Win" opportunity to create jobs in both countries, provide an expanded market, and stimulate Mexico's debt-ridden economy. The Agreement will also include Canada with which the United States signed a free trade agreement in 1989, providing the U.S. with more than \$600 million in Canadian investments. The North American Free Trade Agreement (NAFTA), if approved by Congress, will create the world's largest free-trade area among neighboring countries, including more than 360 million people with a combined annual output of more than \$6 trillion.

Many economists and labor officials in New York, however, believe that in reality, NAFTA will have a devastating impact on the State's economic development and jobs. Mexican wages in the Maquiladora plants along the border average \$.59 an hour. As a result, many companies in New York, including General Motors, Emerson Electronics, Buffalo China, Trico Products, and soon Smith Corona, have moved part or all of their production facilities there. Since 1970, New York has lost 813,000 manufacturing jobs to Mexico, 300,000 of which disappeared in the last two years. The NAFTA is expected to exacerbate this decline by virtually wiping out New York's remaining 88,000 apparel jobs as protective tariff barriers are removed. Job loss -- already affecting unskilled workers, semi- and higher-skilled workers -- is expected to exceed one-half million within five to ten years. Although New York's professional service industries are expected to grow, such growth will be insufficient to sustain the State's economic development which requires a strong manufacturing base.

It is true that New York and other states have gained under the U.S.-Canadian Free Trade Agreement. This is largely because Canadian companies are attracted to lower U.S. wages. Canada's wages are 13% higher than the average U.S. wage, and 37% higher than wages in the South's right-to-work states. It is highly unlikely the U.S. would be as successful under the U.S.-Mexican Free Trade Agreement. The lower wages which drew Canadian businesses here will undoubtedly draw U.S. companies to Mexico. This has already begun.

Apart from its impact on economic development, the NAFTA will adversely affect labor. It will allow companies to exert undue leverage in collective bargaining under the threat of moving to Mexico where wages are cheap, benefits scarce, child labor unrestricted, and unions are controlled by the government. The enforcement of State and federal labor laws will be diminished under NAFTA. Workers have become reluctant to report OSHA violations for fear that reporting will motivate the company to move to Mexico where occupational safety and health rules are not followed.

The NAFTA also threatens the food safety of Mexican products imported to the U.S.. Mexico's environmental laws allow the liberal use of chemicals which are prohibited or strictly regulated in the U.S., including DDT. Whereas New York has imposed a moratorium on food irradiation, Mexico allows its food crops to be irradiated with radioactive cesium or cobalt which are waste products of nuclear energy. Even though all food imports are subject to random U.S. inspection, and are subject to U.S. regulations regarding pesticide residues,

environmental contaminants and animal drugs, serious doubt exists as to the level of enforcement. Furthermore, the environmental protection laws of New York and the United States are in danger of being pre-empted by anticipated harmonization under NAFTA. Harmonization, as carried out by GATT, has led to the lowest common denominator being applied to resolve environmental disputes between countries. The GATT panel's recommendation to not apply the U.S. Marine Mammal Protection Act, which prohibits the use of drift nets that inadvertently kills dolphins, is a case in point.

Unless the NAFTA includes adequate safeguards to ensure decent wages and basic labor rights for Mexican workers, and the enforcement of effective workplace safety and environmental protection rules, the Agreement is expected to impact harshly upon New York's economic development, labor balance, workplace safety and environmental protection. Unless strong local content rules are included, New York faces an additional threat from foreign manufacturers in Mexico who will seek to export their goods duty-free into the U.S.. Unless the NAFTA is drafted with the understanding that free trade cannot result in the imprisonment of New York's economic growth and its labor and environmental progress, the question that must emerge under the North American Free Trade Agreement is: Free Trade for Whom?

BACKGROUND

The New York State Democratic Task Force on the U.S.-Mexican Free Trade Agreement was established in January 1992 in response to growing concerns by labor unions and environmental organizations that the Agreement would encourage many New York manufacturing firms to move to Mexico, resulting in a severe blow to the State's economy and jobs. Environmental groups expressed fear that Mexico's use of pesticides and its failure to enforce compliance with its environmental laws would result in the importation of Mexican food products adulterated by processes which violate State and federal environmental and agricultural laws.

In response, the New York State Democratic Minority Leader, Manfred Ohrenstein, appointed a Task Force to study how the NAFTA would affect labor, economic development and the environment in the State and report its findings to New York's Congressional delegation. Notice of the hearings, along with an invitation to testify, was sent to both proponents and opponents of NAFTA, including businesses and trade councils, corporations, economists, academicians, labor officials, environmental organizations, agricultural representatives, as well as Canadian corporate and educational institutions. In preparing its findings and recommendations, the Task Force considered the oral and/or written testimony of each organization and individual that submitted testimony.

The Task Force members include: Senator William T. Stachowski, Chairman and the Ranking Democrat on the Senate Labor Committee; Senator Suzi Oppenheimer, the Ranking Democrat on the Senate Economic Development Committee; Senator Alton R. Waldon, Jr., the Ranking Democrat on the Senate Corporations Committee; Senator Joseph L. Galiber, Assistant Senate Minority Leader for Policy and Administration; and Senator Efrain Gonzalez, Jr., the Ranking Democrat on the Senate Housing Committee.



STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

MARIO M. CUOMO
GOVERNOR

August 4, 1992

Dear Bill:

I support the concept of an integrated North American free market, and believe that expansion in international trade is critical for economic growth. New York State does its part by operating a range of programs that encourage and assist New York companies to export and to enhance their international competitiveness. The federal government, however, should be doing a great deal more to promote American exports and to provide American businesses with the tools and opportunities necessary to fully participate in the global marketplace.

A North American Free Trade Agreement (NAFTA) could lead to increased U.S. exports and stronger competitiveness in global markets. New York State has seen a lot of positive results from the Canadian Free Trade Agreement, and a NAFTA holds similar potential for the U.S. I am concerned, however, that all relevant issues be directly and effectively addressed, including the environmental standards on both sides of the border, the occupational health and safety of Mexicans, human rights in Mexico, and adjustment assistance for those American workers who will lose their jobs due to new trade competition.

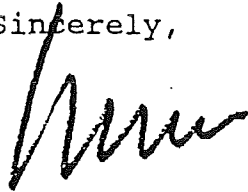
Analysis has indicated that a NAFTA could weaken New York's manufacturing strength and lead to some job losses. Based on the past performance of the Bush administration, it is questionable whether there will be federal support to help American workers and companies adjust to a new competitive environment. There is currently no federal strategy to provide adequate adjustment assistance for workers who lose their jobs, no federal programs to enhance our manufacturing competitiveness, and no significant federal plan to expand our exports or upgrade the skills or our workforce.



Although the Administration claims to be addressing these issues through parallel talks with Mexico and private groups, it appears that adequate progress has not been made. Majority Leader Gephardt of the U.S. House of Representatives, who supported fast-track trade authorization and has closely monitored the negotiations, recently concluded that the Administration has "paid scant attention" to the issues of transborder pollution, worker adjustment, labor and human rights.

While I continue to support the expansion of international trade and support for American companies to enter the global market place, I remain concerned that any American trade agreements consider issues beyond trade and investment barriers and, when necessary, contain provisions to uphold American principles and objectives in non-trade areas. It would be unconscionable to allow any agreement to endanger our standards for the environment, workplace conditions, employment opportunities, or human rights.

Sincerely,



Honorable William T. Stachowski
Chair
Senate Democratic Task Force on
U.S./Mexican Free Trade Agreement
Room 508
Legislative Office Building
Albany, New York 12247

LABOR

"We at the UAW find it ironic that at a time when our community has lost a number of good paying manufacturing jobs, the CEO of Kodak, Kay Whitmore, is calling for the enactment of the Mexican Free Trade Agreement. He indicates that a free trade agreement with Mexico will create more jobs here in Rochester. Ironically, he said that about free trade agreements with the Japanese. Our question to Kay Whitmore therefore is 'Where are the jobs?'"

Tony Bernardo, U.A.W. Vice President
Local 1097

We are not opposed to fair trade, but free trade is anything but free for American workers. This is apparent from our experience with the Maquiladora (twin plant) program that is presently in effect."

Howard Bennett, Secretary-Treasurer
New York State Teamsters Joint Council 18

A. Findings

1. **What impact will the North American Free Trade Agreement have on collective bargaining and on the terms and conditions of employment?**

Testimony from the United Auto Workers (UAW), the Amalgamated Clothing and Textile Workers Union (ACTWU), the International Brotherhood of Electrical Workers (IBEW) and the Teamsters indicated that management is exerting pressure upon unions to force them to accept lower wages and benefits under the threat of moving to Mexico.

In the words of Jeff Nieznanski, an IBEW representative and worker at a General Motors plant in Rochester, New York:

"Two or three years ago, management attempted to obtain an agreement from our local to pay six dollars an hour with no benefits at a so called "satellite" plant. Their threat was that we either agree or lose the business to Mexico. We rejected this proposal but a sister IUE Local in Kettering, Ohio, has such an arrangement."

And, as expressed by Linder Sullen, an ACTWU representative and worker at an apparel plant in Buffalo, New York:

"I work in the apparel industry. Over the last 20 years, we have seen tens of thousands of jobs moved from New York State to other countries including Mexico. We are feeling the pressure right now. Earlier this week, the president of Hartmarx, our parent company, said our industry would have to look at setting up plants in Mexico. This could directly affect the over 1300 employees who work in our three plants in western New York."

Management is able to play a strong hand at the bargaining table because by relocating to Mexico, it can pay Mexican workers as little as \$.59 an hour. This is significantly cheaper than the current U.S. wage rates. For example, an unskilled machinist in New York earns \$7 to \$10 an hour. New York auto workers earn approximately \$15 an hour. Moreover, the loss of jobs affects skilled workers, as well. The New York State AFL-CIO estimates that the State will lose more than a half million high wage skilled and semi-skilled manufacturing jobs in the next 5 to 10 years.

Furthermore, U.S. companies in Mexico do not have to deal with an organized labor force since the government controls the labor unions. As expressed in the testimony of Congressman Henry J. Nowak:

"Labor unions, where allowed to organize, have historically been subservient to the government. Totally independent labor movements are non-existent. For example, unions must register with the government, members of the largest unions are forced to join the ruling party, and the government can declare strikes and unions 'nonexistent'".

As a result, Mexican workers have no rights to representation or collective bargaining for higher wages and better working conditions. Child labor is common. Mexico's lax enforcement of its environmental rules also eliminates another cost of doing business in the U.S.

Both sides come to the bargaining table these days knowing that management has the stronger hand since the playing field has now moved south. In some cases, unions have succumbed to pressure to save jobs by accepting lower wages with reduced or no benefits. The IBEW testified regarding management's creation of "tiers," in which workers in lower tiers receive less wages and fewer benefits than those in higher tiers. The federal collective bargaining system, originally established to balance the interests of labor and management, has been supplanted by a tilted playing field where workers are losing their leverage to attain fair wages, benefits and working conditions.

This diminution in collective bargaining power for private unions is also affecting public employee unions. As companies move to Mexico and leave workers unemployed, state and local governments have less tax revenues with which to pay their employees. Testimony from the American Federation of State, County and Municipal Employees (AFSCME) stated that public employees are

unable to obtain the increased salaries and benefits they seek, and are now experiencing layoffs on a regular basis.

In addition, management's leverage over workers by threatening to move to Mexico is adversely affecting union organizing efforts. Testimony from Chris Townsend, a union organizer in New York for the United Electrical, Radio and Machine Workers of America, stated that in virtually every effort to unionize, management's response has generally been:

"Join a union and we will close the plant.' ...Corporations use this type of blackmail to impose all types of speed-up, benefit reductions, and abuse on their workforces. Workers too often draw the conclusion that it is impossible to resist what the boss is doing. To fight back, to form a union - that would be too risky when everyone is aware that the company has the ability to abandon the plant for even higher profits south of the border."

2. How will NAFTA affect the enforcement of federal and state labor laws?

The NAFTA is expected to significantly diminish the enforcement of our state and national labor laws, as a result of the loss in membership by the watchdog of enforcement, the labor unions.

Labor unions in the United States have been the driving force behind the development, lobbying and enforcement of our labor laws. Companies doing business here must respond to Occupational Safety and Health Administration (OSHA) investigations regarding violations of workplace safety and health regulations which are often initiated by worker complaints, and often result in monetary penalties. In New York, an important component of these on-going efforts by the unions has been the work of the Councils on Occupational Safety and Health (COSH), which exist throughout the State. A COSH generally consists of union locals, labor educators and health professionals who advocate for stringent workplace safety and health standards and provide education to workers on these issues. COSH's have been very active in responding to threats to worker safety resulting from exposure to toxic substances and other hazardous conditions.

Under the NAFTA, union membership will decrease since most of the jobs lost to Mexico involve unionized industries. For example, manufacturing, which is the main economic base for New York and many other States, took 2.6 million jobs from the U.S. to Mexico in 1991-92. Two-thirds of all union membership in U.S. manufacturing is in states, including New York, that will be vulnerable to free trade.¹ The Commissioners for the New York State Department of Labor and Department of Economic Development stated that based upon a 1990 study by

¹The other States are: Illinois, Indiana, Maryland, Michigan, Missouri, New Jersey, Ohio, Pennsylvania, West Virginia and Wisconsin. Moody and McGina, Union and Free Trade, 1992.

the U.S. Department of Labor. New York is one of a handful of states that would benefit the least under the NAFTA.²

Moreover, as far as companies which have not yet moved to Mexico, there will be a significant decrease in the number of reports of OSHA violations. ACTWU testified that the mere threat by a company to relocate to Mexico will cause workers to think twice before calling OSHA. Mexico does not enforce workplace safety and health rules, and both the company and its workers know this.

ACTWU workers have been very active in complaining to OSHA regarding repetitive motion injuries, known as carpal tunnel syndrome. These complaints have resulted in significant workplace changes. As expressed by Marion Hall, an ACTWU worker at an apparel plant in Buffalo which manufactures men's suits:

"We see this proposed Mexican free trade deal as a direct threat to our health and safety. I have carpal tunnel syndrome in both my wrists. Repetitive motion injuries like this are common in our industry. But finally, we are doing something about it because we have OSHA and a strong union. My company has redesigned my work station and added handles to the machine, so that I don't have to reach as far for my work. They've put in new chairs to support our backs. They've hired an ergonomics expert and she has helped me find ways to do my job without damaging my wrist. And I can really feel the difference."

According to the U.S. Department of Labor, the apparel and textile industries are expected to be among the hardest hit under the NAFTA, which will remove the tariffs which have protected these industries from competition by Mexico.³ Studies by the Conference Board and by Trade Research and Analysis project a loss over the next 10 years of between 1 million to 1.4 million apparel and textile jobs out of the 1.8 million jobs remaining, according to the International Ladies' Garment Workers' Union (ILGWU). In New York, virtually all of the 88,000 remaining apparel and textile jobs are expected to disappear.

3. Will New York State be able to provide adequate dislocated worker assistance for the period of time such assistance is necessary?

Increased assistance under the Economic Dislocated Workers Assistance Act (EDWAA) and the Trade Adjustment Act (TAA) will be needed to retrain workers who are laid off when their companies move to Mexico. Since 1970, New York has lost approximately 1,107,000 jobs in the following fields: 813,000 manufacturing; 145,000 apparel and textile; 60,000 industrial machinery; 53,000 primary metals; 25,000 steel; and 11,000 electric lighting and wiring. Since 1990, approximately 300,000 jobs have been lost, including 115,000 in manufacturing. The Commissioners of the New York State Department of Economic Development and

²"Industrial Effects of a Free Trade Agreement Between Mexico and the U.S.A.", U.S. Department of Labor, September 1990.

³Id.

New York State Department of Labor both stated that New York will need increased federal assistance to help the growing number of New Yorkers who are being dislocated by companies moving to Mexico. A representative from the International Association of Machinists and Aerospace Workers' Union said that schools providing retraining opportunities are full and that there is insufficient money for tuition.

The current assistance authorized under EDWAA is not sufficient to meet the needs of dislocated workers until the next job comes along. The United Steelworkers testified that EDWAA does not provide adequate income maintenance during the period of re-training. The United Transportation Union (UTU) -- which stands to lose a significant number of jobs as a result of the decreased use of the railroad -- also advocated adequate income maintenance and health care protection. Special health protection for laid off workers is necessary because studies show that they have higher rates of stress-related diseases, such as cardio-vascular illnesses, cirrhosis of the liver and mental health disturbances. The illness often strikes when laid off workers no longer have health insurance coverage, causing them to either avoid medical care for fear of incurring medical bills they cannot afford, or to utilize publicly funded health facilities, which means higher costs for government.⁴

Many unions expressed concern regarding the President's commitment to providing adequate trade adjustment assistance based upon his failure to ask Congress for funds to finance such assistance.

4. How will the NAFTA affect the wages and working conditions of Mexican workers?

Currently, the average wage paid to Mexicans working at the Maquiladoras, where most U.S. companies are located is approximately \$.59 an hour. If health benefits are provided, the rate increases to approximately \$.76 an hour.

Neither Mexico nor the U.S. companies provide Mexicans with workers' compensation, unemployment insurance, or other protections long considered essential in the U.S.. There are no effective health and safety regulations. The Western New York Council on Occupational Safety and Health (NYCOSH) cited a recent study by the University of Lowell, Massachusetts in the towns of Matamoras and Reynosa on the Texas-Mexico border. The study found a high incidence of acute exposure to dangerous substances and excessively high musculoskeletal disorders related to working conditions including speed-ups in the work pace and poor work station design. The UAW cited a separate recent study by the National Safe Workplace which made the same findings.

Testimony from the national AFL-CIO stated that low wages result in a very poor standard of living for Mexicans at the Maquiladoras. Since workers are not paid enough to obtain decent living quarters, many live in shacks often made of toxic cardboard and scraps of wood. Water contamination runs from raw sewage to wood smoke to highly toxic industrial chemicals. In the border town of Nuevo

⁴"Social Costs Analysis of Possible Shutdown of Trico Plants in Buffalo, New York," Midwest Center for Labor Research, 1986.

Laredo, approximately 25 million gallons of untreated sewage are dumped into the Rio Grande daily.

Child labor is widespread in Mexico. The Wall Street Journal reported in April 1991 that 5 to 10 million Mexican children work in the most dangerous of jobs. A videotape shown at the hearing titled "Dirty Business" interviewed workers at a border plant aged 12 and 13 who said they could not go to school because they had to work.

Under the NAFTA Mexican wages are not expected to increase, nor working conditions to improve. This is because Mexico is a country in great debt and any profit realized from the NAFTA goes towards paying off that debt. Mexico sends \$10 billion a year to the U.S. in loan re-payments. This debt resulted from loans made by the U.S. to Mexico which it had expected to re-pay through a big return on its oil reserves. When the price of oil collapsed in the 1980s, Mexico had to find other ways of re-payment. One way was to attract foreign investment by reducing the wages of Mexicans working at the Maquiladoras. Their wages have fallen more than 50% since 1980 when the average wage was \$1.75 an hour, reducing Mexico's wage rate from one of the highest in the Third World to one of the lowest. Social programs were also cut.

This exploitation of Mexican workers is likely to become more aggravated by the Mexican government's decision to stop subsidies to Mexican corn growers. Mexico's Under Secretary of Agriculture, Luis Tellez, has predicted that this decision is likely to result in one half of Mexico's 27 million rural dwellers migrating to Mexican cities during the next two decades. They will seek work at the Maquiladoras and provide companies with a ready market of unemployed workers to whom they can continue to pay \$.59 an hour. Skidmore College Economics Professor Timothy Koechlin testified regarding a study he performed with three other economics professors at the University of Massachusetts at Amherst which included findings that 800,000 rural Mexicans are expected to migrate from the countryside as a result of the removal of corn subsidies and other trade liberalization under NAFTA.⁵

Until Mexico's debt is repaid to U.S. banks, Mexican workers will continue to live and work in poverty. Mexico's control over its labor unions prevents any organized efforts to obtain increased wages and better working conditions.

5. To what extent will New York workers be affected by increased migration from Mexico?

After working in the Maquiladoras for low wages, many Mexicans migrate to the U.S.. Such migration occurs either voluntarily by Mexicans seeking a better living, or involuntarily since companies often dismiss "longer service" workers, usually 4 to 10 years after they start. The average age of a Mexican electronics worker is 20. Apparel workers average 20 years of age. This migration has been underway for several years from towns such as Juarez, which has one of the

⁵Koechlin, Larudee, Bowles and Epstein, "Effect of the North American Free Trade Agreement on Investment, Employment and Wages in Mexico and the U.S.," February 1992.

largest concentrations of maquila plants. More than half of all undocumented migrants to the U.S. from Mexico are thought to come from Juarez and three other areas. Turnover rates in Juarez plants are sometimes 50% a year.⁶

It is uncertain when or how many Mexicans will migrate to New York, since many initially seek work in states closer to home. When they do arrive, they will compete for jobs with New Yorkers at lower pay rates. The Mexicans migrating from the Maquiladoras will have developed marketable skills, both at unskilled and higher skilled levels. The result of this migration will be a new labor force in the U.S. which may depress our wage rate as much as 4.2% for urban unskilled workers.⁷

Another consequence from the NAFTA will be an increased labor mobility for Mexicans who will enter the U.S. on a temporary basis to provide services. The Communication Workers of America (CWA) stated that increased mobility of labor has commenced already under the U.S. - Canadian Free Trade Agreement. Increased mobility by Mexicans undoubtedly will affect decisions by U.S. companies regarding the extent to which they should continue to maintain operations in the U.S.. This added threat to U.S. jobs already has affected the Teamsters whose freight drivers are now subject to a Memorandum of Understanding signed by the Administration and the Mexican government, which recognizes the Mexican federal commercial driver's license as a legitimate license in the United States. In the words of Howard Bennett, Secretary-Treasurer, New York State Teamsters Joint Council 18:

"The threat of losing good paying driver jobs is at our doorstep today. The Administration has already told California that its state laws are pre-empted and that they must recognize Mexican drivers with the Mexican federal license. Another downward slide in wages and living standards can only occur."

In New York, the increased use of Mexican drivers who earn approximately \$6.50 a day is certain to compete with New York's Teamsters freight drivers who earn approximately \$16.50 an hour, not including benefits.

6. **How will the productivity and competitiveness of New York's workforce be affected by the plant closings and downsizings expected to result from the NAFTA?**

Many companies in the U.S. have begun to implement the "high road" approach to their operations. This approach involves training workers in high skill jobs providing decent wages and a safe workplace in order to develop a work force that can compete with Germany, Japan and other high tech producers. The "high road" approach involves certain recommendations made in the 1990 report, "America's Choice: High Skills or Low Wages!" by the Commission on the Skills of the American Workforce which was co-chaired by former U.S. Secretary of Labor

⁶"Economic Analysis of Trico," Cornell School of Industrial and Labor Relations, January 1986.

⁷Koechlin, et al.

Ray Marshall and included more than 30 chief executive officers of national corporations, national union officials and academicians. The Commission studied and made recommendations regarding the United States' ability to effectively compete in the world market as a producer. Its main recommendation was that companies should invest in adequate training for its workers to develop their skills. The IBEW and ACTWU testified that the high road approach was being used in their industries in New York.

By contrast, production in Mexico follows the "low road" approach which focuses on low wages and high volume productivity. New York companies that relocate to Mexico deprive the State of the opportunity to continue to develop a highly productive work force. For example, the productivity of New York workers in the electronic components sector is rated the highest in the nation. However, electronic companies are among the seven manufacturing firms that have shifted substantial operations from New York to Mexico since 1983. Moreover, this depletion of productivity potential is occurring at a quickening pace. More than one-third of the 813,000 manufacturing jobs lost here since 1970 has occurred in the last two years.

Apart from the pressure to move South to produce goods, companies remaining in New York will be faced with an additional competitive threat. Mexican-based subsidiaries of foreign competitors will benefit from duty-free access to the U.S. market. The Commissioner of the New York State Department of Economic Development, Vincent Tese, stated that:

"The competition from Japanese-owned facilities located in Mexico in electronic goods and automobiles is expected to be fierce. Such competition has already been evident from goods produced in low wage countries other than Mexico, but the NAFTA will certainly exacerbate the effect."

Furthermore, the New York State AFL-CIO testified that, with each manufacturing job loss to Mexico, there is a ripple effect of two additional jobs lost in the wholesale, retail, construction, finance, insurance and real estate industries. The loss of these jobs and business results in the reduction of tax revenues for local, State and federal governments, which in turn necessitates a reduction in needed support services by the government, and layoffs in the public sector. This loss of revenue leaves New York without the resources to provide training and other services to make its workforce productive.

Although the federal government will also suffer a tax revenue loss, New York will need federal assistance to enhance manufacturing productivity and expand exports for the companies remaining, as well as for re-training dislocated workers. Without such assistance, the State will have tremendous difficulty reviving its economic base in manufacturing, which our economy needs to stay alive.

B. Recommendations

1. The NAFTA should include standards for Mexicans which guarantee decent living wages, safe working conditions, and the rights to organize, collective bargaining and strike independent of government control. Child labor should be restricted. The Social Charter, which establishes minimum labor standards for countries within the European Community, should be used as a model. Such standards eliminate any unfair advantage by a country to exploit its workers with low wages and displace workers in higher paying countries.
2. NAFTA should include mechanisms to enforce these standards, including a tribunal with multilateral authority to determine violations, and trade sanctions as a penalty for violations. This will minimize the leverage by U.S. companies at the bargaining table who are threatening to move to Mexico to avoid higher wages and the enforcement of workplace safety rules.
3. Increased federal trade adjustment assistance under EDWAA is needed to provide sufficient re-training, income maintenance, and special health care coverage for workers dislocated by their company's move to Mexico. Eligibility standards should be made effective to apply to all such displaced workers who need financial assistance. Adequate resources must be dedicated to re-training and relocating affected workers as an integral part of NAFTA, including monies for apprenticeship programs.
4. Debt relief should be provided on Mexican loans by the U.S. so that Mexico may instead use the money earned from free trade to increase Mexican wages to a decent level, improve working conditions and restore social programs. Debt relief and increased wages will also remove the incentive for Mexicans to migrate to the United States.

ECONOMIC DEVELOPMENT

A. Findings

1. What impact will the North American Free Trade Agreement have upon jobs in New York State?

New York is expected to experience a significant loss in employment as a result of NAFTA. The Canadian Center for Policy Alternatives, which has been studying the impact of the U.S.-Canadian Free Trade Agreement on labor in Canada, reports that increasingly companies are looking to low wage solutions to improve their competitiveness, especially in regard to foreign imports. Canada, which has an average wage rate 13% higher than the U.S., has lost more than 460,000 manufacturing jobs since the Agreement was implemented on January 1, 1989. This represents a 23.1% manufacturing decline in less than three years.^a A recent survey of 635 firms by the Canadian Manufacturers Association found that almost one-half had examined the costs of doing business in the U.S.. Three-quarters of these Canadian businesses concluded that they could save significantly in the U.S..^a

Similar consequences are expected under the free trade agreement between the U.S. and Mexico. U.S. companies would relocate to Mexico where labor is cheap. U.S. Department of Labor statistics show that Mexico's average hourly wage with benefits is approximately one-third of U.S. wages. The minimum wage in the Maquiladoras is one-eighth of the U.S. and New York minimum wage.

The Maquiladoras experience has already resulted in the relocation of 2,000 U.S. transnational companies taking with them 500,000 former unionized jobs to Mexico. The U.S. International Trade Commission projects the transfer of an additional 250,000 to 500,000 jobs, mostly unionized, by U.S. multinational corporations to Mexico. The announcement on July 22, 1992, by Smith-Corona that it was moving its production operation from Cortland, New York, to Mexico, involving the loss of approximately 885 jobs, is a case in point. An article in the Albany Times Union on July 26, 1992, reported that the company's decision was based upon wages in Mexico where Mexicans will work for one-fifth the \$20.00 hourly wage and benefits package Smith Corona pays to its Cortland employees. The company expects that these savings, in one year alone, will offset the \$15 million cost of moving production South.

The Director of the Trade Policy Division for the U.S. Department of Commerce, Office of Canada, Jonathan Doh, submitted testimony that Mexico's low wages reflect a relatively low level of worker productivity and that companies will not move simply on the basis of lower wages. This assertion was also made at the hearing by the Vice President and Director of the Canadian Commerce Group, Norstar Bank, N.A, Ian Gent. Such a claim, however, was put in question by

^aJames Stanford "Going South. Cheap Labour As An Unfair Subsidy in North America Free Trade," Canadian Center for Policy Alternatives, December 1991.

^a"Giving Up, Moving Out," Maclean's, March 18, 1991.

other testimony. Peter Dorman, an economist at Hamilton College, testified that a study of the auto engine industry in Mexico, the site of nearly all the new U.S.-financed capital in this industry in the past ten years, shows that labor production averages approximately 80% of its level in the U.S. and Canada, but wages remain at \$1 an hour. Similar findings were reported by the Economic Policy Institute.¹⁰

In addition to low wages, another consequence from the NAFTA which will cause a loss of jobs is Mexico's failure to enforce its environmental laws. Cornell University Professor of Resource Economics, Duane Chapman, testified that U.S. industries, which must incur environmental protection costs, will move to Mexico to avoid such expenses. Professor Chapman compared the cost of building cars in Japan and the U.S.. He found that U.S. companies must pay an additional \$2,100 in environmental protection costs for each \$15,000 car. This cost includes items such as compliance with workplace regulations involving to the handling of metals and other potential hazards. As a result, Japan is able to underprice a \$15,000 U.S. car by as much as \$1,500. Professor Chapman compared the fate of New York's auto industry with New York's silverware industry. New York was a major U.S. silverware manufacturer twenty years ago. Today, there are no longer any New York or U.S. companies mass-marketing silverware. Much of the production shifted to Korea. Professor Chapman attributes this demise to the U.S. environmental and OSHA protection costs which constituted 25% of the retail price.

The price advantage of Japanese cars is expected to apply also to Mexican autos because of Mexico's failure to enforce environmental regulations in the auto industry. The effect on auto industry jobs in New York and the U.S. may be devastating. New York State Commissioner of Economic Development, Vincent Tese, stated that Mexico's auto industry has grown dramatically since investment liberalization gained momentum in 1989, increasing 20% in 1991 with an additional 989,383 vehicles. Significant productive capacity has shifted away from U.S., Japanese, and German companies to Mexican manufacturers. Some estimates predict that Mexican auto production will more than double by the year 2000, to 2 to 3 million units a year.

2. Which industries will be hurt?

The U.S. Department of Labor reports that New York is one of the states that will benefit the least under the NAFTA. The hardest-hit industries will be those that have been protected by tariffs from effective competition from Mexico, such as apparel, construction and its suppliers, and furniture. Apparel has been the most adversely affected industry under the liberalized trading policy that has developed with Mexico. Non-professional service sectors, particularly trade and eating and drinking establishments, will also be hurt.¹¹

¹⁰Faux and Rothstein, "Fast Track Fast Shuffle. The Economic Consequences of the Administration's Proposed Trade Agreement with Mexico," Economic Policy Institute, April 1991.

¹¹U.S. Department of Labor, "Industrial Effects of a Free Trade Agreement".

In New York, the apparel, textile and furniture industries have already suffered significant declines. According to the New York State Department of Labor, 15,000 workers in these industries lost their jobs in 1991 alone. Factory jobs throughout the State have declined by nearly 130,000 since 1989. The State Department of Economic Development has documented seven New York State firms which have shifted substantial manufacturing operations to Mexico since 1983, resulting in the loss of at least 2,385 jobs in industries such as automobile parts, electronic equipment and instruments.

Many of the industries that have moved to the Maquiladoras are labor-intensive, such as apparel, textile and furniture. Commissioner Tese stated that other labor intensive industries, such as shoes and leather products, may be especially vulnerable to future relocation. He also reported that the commonly held belief that liberalized trade with Mexico will not affect capital, skill and technology intensive industry is questionable. There are indications that the Mexican labor cost advantage, as well as its skill level and increasingly high quality production may encourage capital intensive industry to also move to Mexico.

Cornell Professor Chapman testified that industries involving pollution-intensive processes using chemicals, metals, and energy are also expected to move South to avoid environmental and workplace protection costs. The types of products which require these processes include batteries, appliances, automobiles, electronics, fresh fruits and vegetables.

3. How will the State's economy be affected if these industries cease or reduce their operations here?

New York's economy will suffer not only from the effects of companies leaving but also from the effects of their suppliers' reducing or ceasing operations to meet lower demand. Exact figures are unavailable as to the dollar impact on New York but Hamilton College economist Peter Dorman testified that the likely effects include: a) Reductions in all levels of New York's tax base. This translates into less money for the State to fund its programs, higher taxes on those remaining in New York, and could result in a less competitive business environment; b) Peripheral capital flight from New York. Aside from paying taxes, businesses also return money to the State by investing in New York banks, funding community projects, and generating economic activity in various economic sectors through their presence alone; and c) Increases in public assistance rolls from displaced workers and their dependents.

These consequences all were felt in New York when Trico Products, which manufactures windshield wiper and washing systems, moved most of its production facilities from Buffalo, New York, to Mexico, resulting in the loss of approximately 1,700 jobs. Because the State recognized in advance the great economic impact this move would have upon western New York, the Cornell University School of Labor and Industrial Relations, the State University of New York at Buffalo, and the Midwest Center for Labor Research each prepared studies analyzing the cost to the state of Trico's relocation in an effort to offer cost-saving proposals and convince Trico to stay.

The Cornell study found that the impact on the western New York economy from the projected loss of 1,400 jobs would be approximately \$95 million. For every dollar lost in wages, two additional dollars would be lost to the economy through indirect effects. The loss of charitable contributions from Trico was estimated at \$475,000. Unemployed workers would have to spend more to purchase health insurance and other benefits which had been provided at a lower company rate. If they could not afford health coverage, public assistance would be needed.¹²

The study by the Midwest Center for Labor Research found that government costs to aid needy Trico workers would increase by \$15 million. Based upon a projected job loss of 1,350 employees, 250 families were expected to receive Household Relief after unemployment benefits expired; 310 would receive medical assistance; 250 would receive Food Stamps; and 75 would receive Aid to Dependent Children (ADC). Federal tax revenues would decline by \$9 million, and State tax revenues to \$2 million, for a total new burden on government of \$19,000 per laid off worker. Additional consequences expected from long-term unemployment were increased rates of crime including homicides and domestic violence. The study referred to sociological studies of people living on marginal incomes that repeatedly have found that they are less likely to vote, to attend their religious institution, to participate in community organizations, and are more likely to divorce.¹³

Trico still maintains a plant in Buffalo. Its operations in Mexico have not resulted in profit from the manufacturing upturns expected by the company, according to the President of the U.A.W.'s union at Trico, James Kaczmarek. He testified that although cheap labor was the lure that drew Trico to Mexico, the company's manufacturing and managerial problems were the root cause. Even though Trico had an opportunity to implement proposals offered by Cornell and the other studies which projected an initial savings of \$30 million by condensing operation, the company decided instead that cheap Mexican wages would fix the problem and left the western New York economy short \$95 million.

4. Which New York based industries will grow under the NAFTA?

The U.S. Department of Labor reports that the U.S. industries which will benefit from the trade agreement with Mexico are mainly chemicals, rubber and plastic products.¹⁴ The New York State Commissioner of Labor, John Hudacs, predicts that there may be some small gains for the service, insurance and securities sectors, but noted that these gains would be far outweighed by the potential losses in manufacturing, particularly in the apparel, textile and furniture industries. The professional services the State may gain include industries such as architectural firms, legal services, and investment and

¹²Cornell University School for Industrial and Labor Relations, "Economic Analysis of Trico."

¹³Midwest Center for Labor Research, "Social Cost Analysis of Possible Shutdown of Trico."

¹⁴U.S. Department of Labor, "Industrial Effects of a Free Trade Agreement."

financial services. This would be due to increased economic activity in Mexico by companies that will need expertise of New York firms in these areas to effectively industrialize. Sales from environmental pollution control equipment may also increase.

5. a) What can New York expect to gain from the NAFTA?
- b) Will domestic exports increase to Mexico if Mexican wages are low?

Proponents of the U.S.-Mexican Free Trade Agreement testified that it would benefit both countries, as well as Canada, by creating a free trade area of over 360 million people with a combined annual output in excess of \$6 trillion. In the words of Ian Gent, Vice-President and Director of the Canadian Commerce Group, Norstar Bank, N.A. "

"NAFTA represents a win-win because it preserves and creates jobs in each country according to the three political leaders."

The Director of the Trade Policy Division of the U.S. Department of Commerce, Canada Office, Jonathan Doh, stated that the basis for predicting that the NAFTA would have a positive impact on both the U.S. and New York economies was: (a) the success to date of the U.S.-Canadian Free Trade Agreement; (b) the increased U.S. export rates to Mexico as a result of trade liberalization; and (c) recent studies. These first two arguments were also made by the Dean of the School of Business and Economics at the State University of New York at Plattsburgh, Prem Gandhi, who testified in support of NAFTA's impact on New York. Other economists at the hearing, however, questioned these bases for optimism.

(a) The Success of the U.S.-Canadian Free Trade Agreement

It is expected that just as New York and the U.S. have gained under the free trade agreement with Canada, due in large part to our lower wages, we will lose under the Mexican free trade agreement. U.S. businesses will move to Mexico for lower wages. Canadian economic studies reviewed by the Canadian Centre for Policy Alternatives found that the average Canadian manufacturing wage was 13% higher than in the U.S. as a whole, and 37% higher than the wages in the non-unionized, right-to-work states in the U.S. South. James Stanford, an economist-advisor for the Canadian Centre, testified that based upon the experience of Canadian businesses investing in U.S. business after the U.S.-Canadian Free Trade Agreement was implemented, a parallel loss in U.S. and New York businesses relocating to Mexico can be expected.

(b) Increased U.S. Exports to Mexico

State Commissioner of Economic Development Vincent Tese stated that Mexico is New York's ninth largest export market. Exports to Mexico rose 11% in 1991. He indicated, however, that trade benefits for U.S.-based industry are expected to be modest. Mexico's Gross Domestic Product (GDP) is only 4% of that of the U.S.. Its per capita income is only 12% of the U.S. average. In his words:

"Although Mexico's low wages attract U.S. manufacturers, the exports of consumer goods to Mexico are not likely to increase rapidly, given limited Mexican consumer purchasing power."

Hamilton College economist Peter Dorman testified that the impoverishment of Mexican workers will continue until the U.S. relieves Mexico of its loan repayments, which average \$10 billion a year. Skidmore College Economics Professor Timothy Koechlin projected that such impoverishment is expected to exacerbate as a result of the Mexican government's termination of corn subsidies to its farmers.

(c) Recent Studies

Skidmore College Professor Koechlin criticized the studies relied upon by NAFTA proponents on three grounds:

"(1) Virtually every study adopts one of two questionable assumptions about investment. First, some assume that NAFTA does not generate substantial new investment in Mexico, an assumption that we challenge here. Second, others assume that new investment increases the capital stock in Mexico, but not at the expense of investment in the U.S..

(2) Remarkably, most existing studies assume that full employment will prevail in both the U.S. and Mexico after NAFTA's adoption, thereby dismissing by assumption one of the key questions raised by NAFTA: will it create unemployment?

(3) Finally, just two existing studies of which we are aware (Levy and van Wijnbergen, 1991 and Robinson, Burfisher, Hinojosa-Ojeda and Thierfelder, 1991) recognize that if the Mexican government's subsidies to corn production are removed, commercial corn producers in Mexico will be devastated and farm workers are likely to migrate to the cities (and the U.S.), swelling the urban work force and driving down wages there.

Our research indicates that adopting more realistic assumptions -- namely, that increased investment in Mexico will be associated with reduced investment in the U.S., that unemployment exists and puts downward pressure on wages, and that a substantial number of corn producers will be displaced -- leads to the conclusion that there will be substantial job and wage losses for U.S. workers from NAFTA and that, at best, Mexican workers and ex-farmers are likely to be no better off."

It thus appears that the "Win-Win" assertion of gains for New York by NAFTA proponents is highly questionable.

6. **To what extent have companies in New York State already moved their operations to Mexico?**

The New York State AFL-CIO estimates that 813,000 jobs have been lost to Mexico since 1970. These include: 1) Trico Products (Buffalo), approximately 1,700 jobs lost in manufacturing original and aftermarket windshield wiper equipment for autos; 2) Sherwood Medical Instruments (Sherburne), 420 jobs lost; 3) Smith Corona (Cortland), which will be moving approximately 885 manufacturing jobs; 4) Emerson Electronics, (Western NY); 5) Buffalo China

(Buffalo, NY); 6) Fisher Price (Western NY); 7) Emerson Electronics (Western NY); and 8) other small plants, like CB North America (Glens Falls, 1992) which manufactures ski apparel.

7. How will the NAFTA affect New York's recently increased trade with Canada under the U.S.-Canadian Free Trade Agreement?

According to State Commissioner of Economic Development Vincent Tese, New York has benefitted markedly from the U.S.-Canadian Free Trade Agreement in terms of both trade and investment flows. Currently, New York exports to Canada, at \$6.7 billion, have grown in diversity and volume since the 1989 elimination of certain trade barriers. Significant exports include electric and electronic equipment, industrial machinery, primary metals, instruments, chemicals, transportation equipment, printing and publishing, food products, scrap/waste and paper products. In 1990, direct investment in New York totalled more than \$476 million, creating 3,305 jobs. In 1991, direct investment of \$129.1 million created 1,080 jobs for New Yorkers.

The Commissioner stated that Canadian investors have been attracted to New York in part, because of its lower labor costs. This has been confirmed by the Canadian Center for Policy Alternatives which reported that Canadian businesses surveyed said that low labor costs were the reason that many relocated to the U.S. after the Free Trade Agreement between U.S. and Canada was implemented. Statistics presented by the Dean of the School of Business and Economic at the State University of New York at Plattsburgh, Prem Gandhi, showed that Mexican trade with Canada increased 20% since 1987. Canadian investment in Mexico has been estimated to be \$434 million. In the opinion of Commissioner Tese:

"It is possible that some future Canadian investment may shift to Mexico rather than New York State based on the former's greater labor cost advantages."

- 8. a) What measures should New York take against companies which receive state funds to develop their operations, training and employment and which subsequently cease or reduce their operations and move to Mexico?**
- b) How extensive is this problem?**

New York has lost several companies to Mexico which had received state funds from State economic development agencies for training and/or development. The exact number is unknown. New York has attempted to address this problem where funds from the State's Urban Development Corporation (UDC) are involved. UDC loan agreements include covenants stating that failure to maintain manufacturing facilities and employment in New York State constitute terms of default, potentially resulting in interest rate penalties, loan acceleration and foreclosure. It appears, however, that stronger measures are needed since the problem persists. AFSCME testified that in January of this year, CB America, a ski wear manufacturer, closed down most of its Glens Falls, New York plant after receiving funds from the New York State Job Development Authority in 1989 to

create up to 300 jobs. The company currently has manufacturing contracts with Mexico and South Korea.

9. **What is an appropriate content percentage for duty free goods which arrive in New York from Mexico under the NAFTA?**

The NAFTA's objective of creating a North American free trade bloc could be completely undermined if countries outside North America are allowed the same access as those within the trade bloc. In the recent trade dispute with Canada over the local content of Honda cars exported to the U.S., U.S. officials found the U.S./Canadian content to be inadequate for duty-free access to the U.S. market. This finding has heightened the awareness and importance of the local content issue and the need for drafting clear unambiguous language in the NAFTA to define local content. Disagreements exist regarding the U.S./Canadian content of other cars as well. Whereas Mazda claims its early 1993 vehicles will exceed 75% U.S./Canadian content, the UAW asserts that the MX6 is closer to a 50% content level. Ford says that its Escort is a domestic but the UAW says it has a 55% U.S./Canadian content level.

This discrepancy results from the current practice which allows manufacturers to count as domestic not only the assembly labor cost, but also the import duty collected on incoming foreign-made cars, port handling costs, port-to-dealer (for parts) and assembly plant-to-dealer (for vehicles) destination charges, advertising costs, sales and income taxes. The UAW reported that even a pure "screw-driver plant" operation may claim as much as 25-30% U.S./Canadian content. A transplant manufacturer can get credit for 60% domestic content even though imported components account for more than 40% of the vehicle's cost. The UAW believes that these discrepancies are attributable, in part, to the failure by short-handed federal regulators to look below the level of subsystems and major assemblies to consider the sources of particular parts. The findings from the Honda investigation seem to be more the exception than the rule.

State Economic Development Commissioner Tese recommends a 75% local content rule.

B. **Recommendations**

1. Provisions must be made and funding provided for flexible trade adjustment assistance and industrial restructuring. Increased federal assistance is needed to enhance manufacturing productivity and expand exports for companies remaining or for new companies. Federal re-training money will have little effect if there are no new jobs available.
2. Gradually phase out the tariff barriers for import-sensitive industries such as apparel, textile and auto parts.
3. Local content rules must be based on the actual good being produced. They should not permit the inclusion of indirect costs, such as plant overhead or financing charges. Negotiators should aim for a North American local content rule of at least 75% and settle for no less than 60%.

4. Penalize companies that receive State assistance to develop their operations and subsequently relocate by including in State and local contracts: (a) a requirement that the maintain manufacturing operations for an appropriate period or return the value of benefits received in the event of relocation, and (b) provisions specifying that failure to maintain facilities and employment in the State constitute terms of default with sanctions of interest rate penalties, loan acceleration and foreclosure.
5. Concentrate on developing New York's small business sector, particularly in high technology development. These two sectors have traditionally been very vital in New York and can serve to strengthen our economy.
6. Utilize intra-industry networks so companies can cooperate to improve their collective competitive position vis-a-vis foreign corporations.

ENVIRONMENT

A. Findings

1. How do environmental laws and their enforcement in New York State compare to those of Mexico?

New York's Law

New York State has been a national leader in its timely adoption of progressive environmental laws, many of which have been embraced by other States and the federal government. Most prominently, concerns addressed in New York's Acid Deposition Control Act of 1984 were ultimately considered as a national priority within the 1990 amendments to the federal Clean Air Act.

New York has several laws regulating pesticides and food irradiation that are related to the free trade agreement. The State's pesticide laws require advance and post-application notice of pesticide applications to enable people to make informed choices about exposure, and require the reporting of pesticide use. New York law also imposes a moratorium on food irradiation, including the operation of facilities and the sales of irradiated foods. Food irradiation has been linked to testicular tumors, kidney damage, chromosome abnormalities, and leukemia.

Mexico's Law

Mexico has passed environmental laws in the past ten years that have created a parity with U.S. environmental laws. The 1988 General Law on Ecological Balance and Environmental Protection covers a wide range of issues affecting pollution control, public health, and natural resource conservation. Regulations have been recently promulgated for environmental impact assessments, solid waste management, air pollution, and automobile emissions in Mexico City. More than 50 normative standards related to air and water quality have been set.

Significant gaps, however, in environmental protection laws exist. For example, Mexico does not regulate hazardous wastes from "cradle to grave" as required in the U.S. under the Resource Conservation and Recovery Act (RCRA), a law which governs the handling of hazardous substances. Moreover, Mexico does not have a "Community Right To Know" law which requires industries to report their chemical discharges. Nor does it have laws requiring notification of pesticide applications to workers or residents. Also, regulations to protect workers from exposure to toxic chemicals are lacking.

Furthermore, chemicals banned or strictly regulated in New York and the U.S. are widely used in Mexico, including DDT which is a carcinogen, neurotoxin, and extremely persistent chemical. Mexican law allows the liberal use of chemicals on food crops imported to the U.S., such as aldrin, dieldrin, chlordane and heptachlor which are bioaccumulating pesticides. Also, Mexico allows its food crops to be irradiated with radioactive cesium-137 or cobalt-60 which are waste products of nuclear energy. Mexico's standards for

environmental impact assessments do not require a consideration of alternative actions nor does its law mandate public participation, as does the U.S. National Environmental Policy Act.

New York's Enforcement

The New York State Department of Environmental Conservation has a comprehensive enforcement program. Within its Office of General Counsel, there are four divisions dedicated to enforcement of the State's environmental laws and regulations: the Division of Environmental Enforcement; the Regional Attorneys located in nine regional offices throughout the State; the Division of Law Enforcement; and the Division of Legal Affairs. While over 90% of the environmental enforcement occurs in the administrative realm, referrals to the State Attorney General and to U.S. District Attorneys are also an integral part of the overall enforcement programs.

The Division of Environmental Enforcement is responsible for inactive site enforcement dealing with hazardous wastes, construction & demolition debris, medical waste, solid waste landfills, natural resource damages, and pesticide enforcement.

The DEC's nine regional attorneys and their staffs provide front line responsibility for most of the permitting and enforcement in the non-hazardous waste regulatory areas. During 1989, a total of 2,000 cases were initiated; 1,290 consent orders were executed assessing more than \$5 million in penalties.

The U.S. EPA evaluated DEC's enforcement efforts as "extremely effective" and described its enforcement of the Resource Conservation and Recovery Act as "excellent."

Mexico's Enforcement

Enforcement of Mexico's environmental laws is a matter of resources as well as commitment. There is no guarantee that whatever environmental laws are currently on the books will be either enforced or retained. A report commissioned by the Mexican government was the subject of a recent article published in the Los Angeles Times which revealed that Mexico is considering scaling back pollution abatement measures to remain economically competitive with foreign firms.¹⁵ Mexico's Secretariat for Urban Development and Ecology (SEDUE) is understaffed and underfunded. Mexico's entire enforcement budget is one-sixth of the State of Texas' environmental budget.

Bilateral Enforcement

According to testimony submitted by the Natural Resources Defense Council, existing bilateral institutions charged with environmental protection responsibilities have proven ineffective. The U.S.-Mexico Boundary and Water Commission has not acted to combat pollution from poor sanitation and salinization

¹⁵J. Darling, "Experts See U.S. Trade Pact as Mexico Pollution Threat", Los Angeles Times, July 17, 1991.

resulting from excessive irrigation. Despite a 1983 agreement authorizing Mexico's Secretariat for Urban Development and Ecology and EPA to take joint action in the border region, both agencies have admitted to having little control over hazardous waste disposal.

2. What effect does pollution in the Maquiladoras have upon the environment in Mexico?

The Maquiladoras are a showcase of environmental pollution due to rapid, unplanned, and unregulated industrial development. As a result, the region has become a toxic alley characterized by extensive air quality degradation, hazardous wastes, impaired health of workers and residents, lack of sanitation and sewers, impaired water quality, and severe depletion of water supplies due to extensive irrigation. The region has been called an "abysmal sink hole" of environmental degradation and human suffering. The American Medical Society calls it a "2000-mile long Love Canal."

The testimony of the Citizens Environmental Coalition, a New York State organization of over 90 environmental, labor, and community groups, depicted the region in detail. The Coalition stated that the New River may be North America's dirtiest river. It flows northward beginning south of Mexicali, a border town in the Maquiladoras, through Southern California to the Salton Sea in Southern California. Over a hundred pollutants have been detected, including PCBs and vinyl chloride. Dead fish and birds including those at the Salton Sea National Wildlife Refuge have been found with high levels of toxins. In San Elizario, Texas, an aquifer shared by the U.S. and Mexico is contaminated -- 35% of the children contract hepatitis A by 8 years and 90% of the adults by 35 years. The air in Southern California is growing worse despite more stringent air controls in the State. This is partly due to lax environmental standards in Mexico and the airborne transport of pollutants. In Brownsville, Texas, the incidence of children born without brains is three times as high as the national level. There were 72 severely deformed babies born there over the past 2.5 years. The Rio Grande River, which borders Northern Mexico and the Southern border of the State of Texas, is contaminated with sewage and metals, including mercury and aluminum. Fecal levels regularly exceed standards often by 100 times. Ninety-eight percent of the people living in the lower Rio Grande Valley, an area bordering Texas and Mexico, drink this contaminated river water. Cleanup costs for existing border pollution has been estimated by the University of Texas at \$5 billion to \$50 billion.

3. What is the effect of pollution from the Maquiladoras upon products used or consumed in New York State?

Tainted water is used routinely to irrigate crops exported to American consumers. Pesticides that are banned in the U.S., like DDT, or restricted in use, are still manufactured for export and come back to the U.S. on food products. In 1990, 750,000 pounds of such pesticides were exported to Mexico.

Under a free trade agreement, New York's ban on food irradiation may be construed as an illegitimate trade barrier. New Yorkers would not be able to enact a "country of origin" label so that consumers could be informed about their food purchasing choices and the likelihood of pesticide residues on foods.

4. **What can be done to minimize the pollution from increased economic development under the NAFTA so as to avoid the environmental problems experienced at the Maquiladoras?**

A free trade agreement with Mexico is more than the free exchange of goods. The depletion of natural resources, the environmental impacts resulting from development and industrialization, and worker safety measures are other aspects affected by a trade agreement. NAFTA is likely to result in the acceleration of the extraction and depletion of Mexico's minerals, forests, and energy resources including oil and gas exploration. The destruction of tropical forests and the consequential loss of biological diversity have global implications.

It is important to prevent the abysmal record on both environmental and worker safety issues in the Maquiladoras. The Natural Resources Defense Council, in submitted testimony, indicated that a new industrial development ethic must be incorporated into policy and practice. Such an ethic would be premised on the goal that all development must be sustainable. There is a need for corporations of industrialized nations to demonstrate commitment and restraint in helping to bring underdeveloped nations into the process of sustainable development. Open markets can achieve sustainable development only if the full environmental costs are internalized and reflected in prices. According to the National Wildlife Federation, a "polluter pays" principle would significantly help to achieve a thorough integration of environmental and economic policy.

5. **What actions or programs may be undertaken to encourage the infrastructure necessary to protect the health of population centers in Mexico developing in concert with increased economic development under the NAFTA?**

New investment should provide the financial resources necessary for environmental infrastructure, enhanced government regulation, and enforcement, either through compensatory taxes or tariffs, in combination with financial assurances or bonds. The NAFTA should include a provision requiring corporate polluters to clean up the Maquiladoras. It should also hold American companies liable for environmentally related damages incurred by workers and residents and give foreign workers and people the right to sue for damages in American courts. In order to prevent further environmental destruction resulting from free trade, all provisions of a trade agreement must be subjected to environmental and community impact assessments before final ratification.

There is a need to supplement present pollution control programs with pollution prevention programs. The Trade Agreement should spell out source reduction mandates.

6. **How can New York prevent businesses from leaving the State if Mexico's environmental laws and enforcement are weaker?**

The NAFTA will likely result in the acceleration and expansion of what has occurred in the Maquiladoras. Under NAFTA, New York firms will have more inducement to relocate to Mexico attracted by cheap labor, lax environmental enforcement and the end to any constraints on the export of their products back to the U.S.. Environmental protection is perceived as a luxury activity of rich

nations. Mexico will not push its environmental enforcement because of its desire to attract industrial development. Consequently, there will be an exodus to Mexico of businesses from states, such as New York, with high environmental standards if Mexico chooses not to impose and enforce comparable standards.

As trade moves into global relationships, it is apparent that economic policy is no longer exclusively formed by a single nation's domestic economic policies. It is also apparent that environmental policies can no longer be exclusively national in scope, as evidenced by the recent international convening of Earth Summit to address global warming, ozone depletion, and biodiversity issues. Likewise, there are integral relationships between economic development and its environmental impacts. International trade that is limited to prices and tariffs will be inadequate to deal with this relationship.

Nations such as Mexico could be held to international standards through trade sanctions to deprive them of any economic advantages to be gained by noncompliance or from operation in a non-regulated country. The Natural Resources Defense Council suggested that this would work well for a category of ecological damage which can only be effectively controlled by international agreement; that is, global ecological damage that arises from the action of multinational sources, such as global warming and stratospheric zone depletion. It could also mitigate the more immediate and intensely experienced environmental degradation that is vented upon poorer, developing countries by irresponsible multinationals.

The only way to achieve a truly level playing field among trading partners will be to incorporate environmental standards within trade treaties and laws. Failure to do so will result in environmental victims in all signatory countries -- those whose jobs have left, and those who will work and live in degraded environments. The internalization of the full environmental costs of producing goods and services is the best way to ensure full and open competition.

7.
 - a) **What should be done to assure that strong domestic environmental laws are maintained under the NAFTA?**
 - b) **Under the NAFTA, how will we be able to prevent the importation of products which do not meet our domestic environmental standards?**

Ensuring conformity of laws among nations is referred to as "harmonization" which is the establishment of equivalent environmental standards among NAFTA signatories. Harmonization, as it is carried out by GATT, has led to the lowest common denominator being applied to environmental disputes between countries.

The Western New York Council on Occupational Health & Safety's testimony cited examples of "harmonization" of Canadian and U.S. standards. Pursuant to the Canadian-U.S. Free Trade Agreement, U.S. logging interests successfully argued that British Columbia's use of government funds for reforestation constituted an unfair non-tariff barrier. In effect, it was treated as a subsidy by the provincial government to the Canadian lumber industry. As a result, British Columbia discontinued its funding. The U.S. timber industry is currently attempting to rollback other Canadian conservation measures in order to gain

access to pulpwood. Canadian asbestos interests used the free trade agreement to successfully challenge EPA regulations that would have phased out the use of asbestos.

The disparities between Mexico and New York, in terms of environmental laws and enforcement, are dramatic. Consequently, harmonization would weaken the domestic environmental standards of New York and its municipalities. This direction contradicts the traditional role of New York State and the nation to improve living standards both here and abroad.

Harmonization would pre-empt the authority of local, state, and the federal government to enact environmental laws that reflect community standards. Community environmental standards include risk assessments and the willingness of a populace to accept certain levels of pollution. Such standards respond to local circumstances as well as pure science. The proposed use under NAFTA of a "sound science" test, in which technical standards alone are used to determine if a law is a disguised trade barrier, is of limited merit because scientific considerations alone do not take into account community values. The Natural Resources Defense Council believes that scientific standards are inappropriate to judge many laws that protect the environment because such laws embody moral and ethical considerations, as well as scientific consideration.

The ability of a jurisdiction to enact high environmental standards must be protected under NAFTA if such standards are considered by the community as necessary to fulfill legitimate domestic objectives. As stated by the National Wildlife Federation, GATT's section on technical barriers erodes the rights of signatory nations and their subdivisions to enact more stringent environmental laws. It does this by requiring that technical standards relating to any manufactured or agricultural good must be least restrictive and must balance potential economic loss against health and safety concerns. Moreover, the burden of proof is placed on the government issuing the law or regulation to prove that the environmental law is not a barrier to trade.

Many groups testified that harmonization should not seek the lowest common denominator, but rather should provide for "upward harmonization" of social, environmental, and workplace standards. In particular, NAFTA could mandate that companies be granted trade privileges and access to market only after they have been certified as being in full compliance with all applicable environmental laws.

If such measures are not taken, NAFTA will pre-empt strong local and state environmental laws and render such governments unable to protect its citizens. Pre-emption of state and local laws by international law is part of GATT and will be applied to NAFTA. GATT requires that trading partners take all necessary steps, where changes to domestic law will be required to implement provisions, to ensure the conformity of their laws with free trade agreements.

8. **What type of dispute resolution procedures and standards would be appropriate to ensure that State, local, and national environmental laws are not negatively compromised under the NAFTA?**

The GATT approach to dispute resolution has been proposed for application to disputes under NAFTA. Under GATT, a three-member panel has the sole authority to determine if a federal, state, or local law violates GATT. The GATT panel is bound only to consider if a disputed environmental law is scientifically justified, not if it responds to unique local conditions or community values. In addition, public notification of a dispute settlement is at the sole discretion of the panel. At present, neither Congress nor the public has access to trade dispute proceedings pursuant to GATT or the U.S.-Canada Free Trade Agreement. Consequently, most disputes are settled without public knowledge or involvement. Even written submissions by private parties have been disallowed.

Under NAFTA and GATT, only national governments would have any standing in the dispute process. A state could consult with attorneys from the Trade Office, but they would not have the right to present their own case. Furthermore, any changes to state regulations that affect trade would have to undergo scrutiny by the trading partners and their concerns would have to be incorporated. This process would obliterate the differences in values and technologies which exist between countries. The Sierra Club warned that this is not the kind of federalism envisioned by the framers of the Constitution, when states no longer have the right to promulgate standards which are inconsistent with decisions made by a supranational institution over whom U.S. citizens have no direct access. Trade rules which restrict public access is contrary to our political system and its very foundation.

In fact, the decision that upholds the right of GATT and presumably NAFTA as well to pre-empt state and local laws was made in secrecy. On February 7, 1992, a three-member GATT panel issued a final ruling which was published in Geneva but not in the United States. It declared that GATT can pre-empt local and state laws:

"Each contracting party (the federal government) shall take such reasonable measure as may be available to it to ensure observance of the provisions of this Agreement by the regional and local government and authorities within its territories."

It is clear that many environmental laws promulgated by states and national governments are in jeopardy. For example, a provision of the U.S. Marine Mammal Protection Act imposed an embargo on the import of Mexican-caught tuna, because of Mexico's practice of harvesting tuna with purseine nets that indiscriminately kill dolphins. A three member GATT panel has recommended that this provision be ruled as inconsistent with GATT. Essentially, this ruling, if adopted, will set a precedent against any nation's law intended to protect natural resources outside its jurisdiction.

Many witnesses testified that the goal of a dispute resolution process should be to generate positive environmental outcomes, rather than undermine existing environmental protections. This is typically the goal of environmental impact reviews. But, in order to fully incorporate environmental standards

within dispute resolution, there must be the institutional capacity to do so. The Natural Resources Defense Council recommended the establishment of such an institution, consisting of environmental experts to assist signatories with compliance, perform monitoring, and initiate and assist in enforcement proceedings.

B. Recommendations

1. Create a new North American Commission on Trade and the Environment with authority to monitor, investigate and recommend enforcement of environmental laws. It should be comprised, equally of members from all participating nations and from both public and non-public organizations with environmental expertise.
2. A "harmonized" standard should be the minimum to which signatories must abide. One of the purposes of international trade agreements should be to promote environmentally sustainable development and prevent trade from contributing to ecological damage. An international trade agreement with a developing country is an opportunity to plan for growth within that country's resource limitations -- an opportunity to promote sustainable growth, not exhaustive development.
3. An international environmental code is needed to complement the international business code. Such a code would mitigate the perspective that environmental requirements are obstacles to trade.
4. The definition of "an unreasonable trade practice" should be expanded to include the failure to abate pollution and effectively protect natural resources. Nations engaged in international trade agreements have a responsibility to address sustainable development.
5. Any NAFTA member who is a signatory to another international environmental agreement should not be impaired from fulfilling these international agreements. In the case of any inconsistencies between NAFTA and any other agreement to which a party is a signatory, the more stringent environmental standards should prevail.
6. To address unfair competition arising from the disparity among environmental requirements, allow those signatories possessing more protective environmental standards to impose duties on another country's goods that are produced in noncompliance with international environmental standards.
7. Jurisdictions should be allowed to prohibit the import of products failing to meet their domestic standards. Any products currently banned, such as certain pesticides and pharmaceuticals, should be disqualified for American export.

8. Enact federal legislation such as the International Pollution Deterrence Act of 1991 of Oklahoma. This legislation would amend countervailing duty provisions of U.S. trade law by providing that the failure to impose and enforce effective pollution controls and environmental safeguards constitutes the bestowal of a subsidy and is subject to countervailing duty law.
9. A value-added tax should be placed on products manufactured in Mexico and imported to the U.S. which would be dedicated, in part, to environmental enforcement programs in Mexico.
10. The U.S. and Canada should increase bilateral assistance and technical expertise for environmental activities in Mexico, especially in industrial zones, and particularly for cleaning up the border which the Maquiladoras have polluted.
11. Debt relief by the U.S. should be given to Mexico to allow increased funding internally for environmental programs, such as debt-for-environment swaps.
12. Consider enactment of provisions as embodied in the "Environmental Aid and Trade Act of 1992" of Colorado. This Act requires that the State Department, the Agency for International Development, the Overseas Private Investment Corporation, the Trade and Development Program, the Commerce Department, and the U.S. Export-Import Bank promote the export of environmental goods and services.
13. Documentation of information on pesticide use patterns in all participating countries, including site and crop specific data, should be required. Such information will permit accurate monitoring of pesticide residues on produce and protect the health of farmworkers and others susceptible to exposure. It can also be used to prevent pollution of ground and surface waters, protect endangered species habitat, identify source reduction strategies, and target pesticide research.
14. NAFTA should promote wider adoption of alternative agricultural practices that reduce pesticide use, such as Integrated Pest Management.
15. Congress should enact H.R. 2083 / S.898 "Circle of Poison" legislation to improve the safety of exported pesticides.
16. Require American firms building new plants in Mexico to meet all applicable U.S. national pollution and occupational health standards; new source performance standards under the Clean Air Act; hazardous waste disposal rules under RCRA; the Clean Water Act toxic pollutant standards; and OSHA rules. A New York company would then have to comply with the same environmental incentives to move a factory from Mexico as it would in moving to South Carolina.

17. Openness should be pervasive throughout trade treaties -- from negotiation to dispute resolution with all phases of international trade agreements conducted in open forums to improve accountability, and to avoid mistrust and conflict between trade and environmental interests. Greater public access is needed to conduct trade treaty negotiations, set standards, assess hazards and risks, and monitor compliance. Information dissemination is key.

AGRICULTURE

Maintaining a stable, domestic food supply, along with a safe and healthy environment, is essential for life, social stability, and national security. Based upon testimony given at the Task Force hearings, NAFTA does little to support these goals. In fact, its probable negative impact on agriculture and small communities far outweighs any increased prosperity it may promise.

A. Findings

1. **What impact will NAFTA have upon assuring a continued safe supply of food in New York?**

Even though all food imports are subject to random inspection, serious concerns have been raised regarding the conditions under which food is grown and processed in Mexico. Although rules and regulations exist regarding pesticide residues, animal drugs and environmental contaminants, serious doubt exists as to the level of enforcement in both the U.S. and Mexico.

Testimony by witnesses highlighted these specific problems:

- ◆ Mexico has extensive air, water and hazardous waste pollution and has only recently created an environmental agency to deal with these issues.
- ◆ Various pathogens, including plant and animal pests and diseases, that now exist in Mexico, could cause irrevocable damage if introduced to U.S. food production and marketing channels. An outbreak of livestock diseases such as hog cholera, hoof and mouth disease in cattle and Newcastle disease in poultry could mean billions in losses and cost millions to control.
- ◆ Mexico, at present, also acts as a buffer for the U.S. against pests and diseases from the rest of Latin America. For example, Medfly eradication efforts by the U.S. and Mexico have been threatened by outbreaks on the Mexican/Guatemalan border. These outbreaks have been due in part to a lack of political and financial support in Guatemala.
- ◆ The storage, handling and application of pesticides, without the same strict guidelines imposed on U.S. farmers poses an ever present threat to Mexican workers, American consumers and the environment of both countries.
- ◆ With the supply of fresh water in Mexico always in jeopardy, raw sewage has been documented being used for crop irrigation.

It is ironic, for example, that as New York taxpayers continue to invest millions in programs such as Integrated Pest Management to reduce pesticide usage, a free trade agreement is being considered with a country that must increase pesticide use to make marginal land productive.

Although, according to USDA reports, pesticide residue violation rates on agricultural imports are "low" (about 4.7%) and are not substantially different

than those found on imports from other countries or on U.S. production, about 75% of pesticide violations involved pesticide use for which there is no U.S. tolerance.

Besides federal standards, 38 states have their own programs to monitor pesticide residues, according to the American Farm Bureau. It is not clear, however, whether the NAFTA would allow these local programs to continue.

Testifying before the Task Force, Alice Egan, a dairy farm activist from Franklin County, reported on her visit to Texas to learn firsthand the implications of the proposed free trade agreement with Mexico:

"Laredo, Texas, is now one of the largest and busiest entry points to the U.S. There are 200 truckloads of produce that cross into Texas daily. One load in 80 is inspected and 50% are rejected on visual examination. In other words, half of the 200 loads should be rejected but you and I purchase unknowingly, from all but one or two of that 50%. Unknowingly, as neither GATT or the NAFTA will allow a country of origin label."

2. How will NAFTA directly affect New York farmers and food processors?

Exports of certain commodities such as apples and processed dairy products might increase under the proposed free trade agreement, according to written testimony by the New York State Department of Agriculture and Markets and the New York Farm Bureau. Also, as the Mexican livestock industry would likely expand, demand in the U.S. would also increase.

Several witnesses, however, expressed concern that the proposed Agreement might have a severe negative impact upon the environment, food safety, the prices farmers receive, employment and the local property tax base. This was best summarized by Shirley Mower, a Herkimer dairy farmer and an organizing member of WIFE - Women Involved in Farm Economics:

"There can be no economic advantages for the farmers of New York State to have agricultural products imported into this state that are produced by farmers who have little or no governmental regulations regarding labor and pesticides or any fundamental strategic planning for their land and people's long-term survival."

Dairy Products

Even though it is one of the top ten dairy producing countries, Mexico is also one of the world's largest importers of milk and dairy products, mostly from the U.S.. Annually, Mexico has accounted for 20 to 50% of all U.S. dairy exports. Two-thirds of all dairy exports to Mexico have consisted of non-fat dry milk.

Although the NAFTA might increase Mexican demand for processed dairy products, there is concern that New York dairy farmers would gain little, and possibly even lose from such an arrangement.

Milk production in the U.S. and Canada is highly regulated by a complex system of national and regional marketing and pricing regulations. They are intended to maintain a dependable supply of milk and price stability for farmers as well as consumers. Federal orders also include mandatory contributions from farmers to support marketing and promotion efforts.

A major concern of New York dairy producers is that the NAFTA will disrupt the dairy industry if it allows highly subsidized European dairy products to enter the U.S. through Mexico. According to John Hathaway, a Herkimer County dairy farmer:

"It is not the volume of imports that will drive farm prices down, it will be the leverage given transnational corporations such as Philip Morris (Kraft) to threaten our markets with low cost imports. As recently as 1990-91, a projected 1% surplus allowed Kraft and other corporations to drive dairy prices down 30%, creating chaos throughout our rural communities, huge financial losses to our family farms, with many forced into bankruptcy."

New York farmers also fear the NAFTA would encourage increased milk production in the Southwest, where over-production for local markets already has been blamed for depressing federal milk price supports. They are also concerned that the loss of manufacturing to Mexico will damage an already weakened rural economy. According to Bruce Krug, representing the New York Farmers Union:

"We are opposing President Bush's free trade agenda because we feel the pricing of farm commodities at world market prices and the loss of jobs from manufacturing plants allowed to move out of the U.S. are a major cause of the U.S.'s bankrupt economy. Twenty multi-nationals control 80% of the world trade. They will be the ones to benefit from free trade -- to heck with the little guys. It has been impossible to change federal farm legislation to reverse the mass exodus of family farms."

Fruits and Vegetables

U.S. agricultural exports to Mexico totaled \$2.5 billion in 1990, making it our third largest market, according to the U.S. Department of Commerce. In turn, Mexico provides approximately 25% of the \$5.4 billion in fruits and vegetables the U.S. imports annually. Approximately 80% of fresh vegetable imports to the U.S. are from Mexico.

The largest concerns over liberalization of agricultural trade policies between the U.S. and Mexico are held by fruit and vegetable growers in Florida, Arizona and California. Unlike New York, these states have similar growing seasons as Mexico.

However, for produce such as cucumbers, increased Mexican imports during the peak New York harvest season could lower wholesale prices nationwide and New York growers will suffer. According to Genesee County vegetable

grower and past president of the New York State Vegetable Growers Association, Maureen Marshall:

"My workers make \$5 to \$10 an hour. In Mexico there's no Social Security, no unemployment insurance, no pollution control, no health and safety rules for the workers. We can't compete against that."

Apple growers, on the other hand, may see some benefit from this Agreement. At present, Mexico imposes very stringent restrictions on the importation of U.S. apples. Along with a 20% ad valorem tariff, U.S. apples can only come from five Washington counties, must stay in cold storage for 41 days and can only enter through three specified ports. If the NAFTA eases some of these restrictions, New York apple growers may find a potential market in Mexico.

A few points regarding New York apples:

- ◆ Western New York apple production (the state's largest) is primarily for processing, not the fresh market.
- ◆ Mexico has a Free Trade Agreement with Chile, already a major apple supplier.
- ◆ Joint agreements between major U.S. food concerns and Mexico could quickly modernize Mexico's apple production -- making it a new net exporter of apples.

Food Processors

According to Hugh Hill of the Associated New York State Food Processors, although processing of labor-intensive commodities will continue to shift to Mexico, no New York processors have plans to relocate. However, supermarket chains such as Wegman's already purchase all their frozen cauliflower and broccoli from Mexico.

Important New York crops such as sweet corn and green beans require less labor because they are mechanically harvested and processed. New York food processors would save little on labor by moving to Mexico and would have higher transportation costs. Processors such as Rochester's Curtice-Burns, which is farmer owned, purchases from Mexico vegetables that are not available locally in sufficient quantities.

According to Elizabeth Henderson of the Natural Organic Farmer's Association, this is part of a negative trend in food production:

"At present, the Northeast imports 85% of the food its population consumes from outside the region. The long distance transportation of food is profitable at the moment while Western and Mexican water supplies are still ample and oil is relatively inexpensive. However, there is no guarantee this will continue indefinitely."

3. **How will NAFTA affect farmworkers?**

Due to the unfair competitive advantage given to Mexican-based operations, farmworkers in New York will no doubt lose as well under the NAFTA. They will be asked or forced to accept lower wages and lower safety, health and housing standards, as farm owners cut costs to remain competitive. According to John Bender, a Montgomery County farmer and retailer:

"Produce is being raised by agri-business in Mexico at lower wages and will come into the U.S. at lower prices and lower safety standards than what we produce here. There will be further declines in profitability and the number of farms producing vegetables. There will be demands for lower standards here. If it is thought that we will somehow lift Mexico to a higher standard of living by having free trade, think again. Our economy grew because our working people were paid enough to be able to buy the goods they and others produce. You don't lift Mexican workers by paying them \$5 a day. You destroy the American market by reducing wages, strike breaking and unemployment."

B. **Recommendations**

In her testimony, Alice Egan reminded the Task Force that the NAFTA is not a "done deal."

"You and I must act firmly to have the NAFTA rewritten so we can have "fair" trade agreements, NOT "free" trade agreements. If we really want to help third world people, we must insist that all countries raise their food, health and work standards. NAFTA in its present form can destroy our quality of life, our health, economy and environment. What we do, how we do it or do not do it will determine the quality of life for our children and grandchildren. This will be our greatest legacy to them."

Recommendations:

1. Current U.S. grades and standards should not be lowered to accommodate Mexican imports.
2. All federal marketing orders should be maintained.
3. Mexican imports should be assessed the same as U.S. products under federal marketing orders or promotions.
4. The Agreement should standardize pesticide regulations between the countries, with lower tolerances the goal.
5. Scientifically based health and sanitary regulations should be strengthened.
6. Country of origin rules should be developed and strictly enforced.

7. Import sensitive crops should have a longer phase-in period.
8. Restrictions should be imposed on the U.S. manufacture and export of pesticides banned for domestic use.

TESTIMONY

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Amalgamated Clothing and Textile Workers Union, Local 207	Marion Hall
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 <u>Albany Hearing, May 21, 1992:</u>	
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United Electrical, Radio and Machine Workers of America	Chris Townsend, Union Organizer
Interface Impact, NYS Council of Churches	Ed Bloch, Coordinator
Fair Trade Campaign	Nikos Valance, Northeast Director
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NYS Women Involved in Farm
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Empire State Family Farm Alliance

New York Coalition for Alternatives
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Citizen's Environmental Coalition

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State University of New York at
Plattsburgh, School of Business and
Economics

Skidmore College

American Federation of State County
and Municipal Employees, Council 66

New York City Hearing, June 4,
1992:

New York City Central Labor Council
AFL-CIO

The Other Economic Summit (TOES)

Cornell University

Common Frontiers (Canada)

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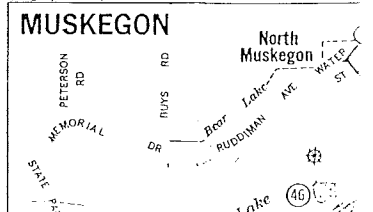
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PLEASE DO NOT LITTER

Michigan's new anti-litter law, effective in 1974, provides that the "DRIVER of a vehicle or vessel is PRESUMED TO BE RESPONSIBLE FOR LITTER which is thrown, dropped, dumped, deposited, placed or left from the vehicle or vessel on public or private property, or waters...." The new law raises the maximum fine for littering from \$100 to \$400, and retains the maximum 90-day jail sentence. Littering also costs us a lot of money...More than \$1.25 million in state tax revenue each year just to pick up litter. Stop the state budget from



DETROIT AND VICINITY

Solidarity House

