TESTIMONY
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EXECUTIVE DIRECTOR
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Mr. Chairman and members of the committee:

It is an honor and privilege for me to be asked to provide you with some of the personal insight that I have gained pertaining to the North American Free Trade Agreement (NAFTA) throughout the years working with both U.S. and Mexican companies along the U.S.-Mexico border. I especially want to thank New Mexico Senator Jeff Bingaman for his support and cooperation throughout these past years on trade-related matters.

As an American, I have lived and worked in Mexico for the past 16 years in both the public and private sectors. During this time, I have been a state government official directing the State of New Mexico's Mexico City Trade Office (1991 to 1994). In this capacity, I was responsible for assisting New Mexican companies wishing to break into the Mexican market, with the goal of increasing my state's exports to Mexico. During this period of time as part of a group of expatriates working in Mexico, I also lobbied in favor of NAFTA.

Subsequently, I have worked as an international banker, with a focus on Mexico; a private consultant working on behalf of Mexican and American firms wishing to explore their market in either the U.S. or Mexico; part of a real estate development group that built more than 2 million square feet in three industrial parks surrounding the Santa Teresa Port of Entry – in this capacity, I was responsible for recruiting companies supplying Mexico's maquiladora (twin plant industry) and/or importing finished goods from Mexico and distributing them throughout the world; a professor of international business and marketing for institutions of higher education in both the U.S. and Mexico; and a journalist with a syndicated international trade column, "*Business Across Borders*," that appears in the southwestern U.S. and northern Mexico.

Currently, I manage the International Business Accelerator, a non-profit import/export international trade counseling center that is part of the New Mexico Small Business Development Network. The Accelerator helps New Mexican businesses take their product/service to the global market. We have offices in Santa Teresa, New Mexico (on the western edge of El Paso Texas) and in Chihuahua City, Chihuahua, Mexico (approximately 230 miles south of the border). The El Paso/Juarez/southern New Mexico border complex is the largest industrial base on the entire US-Mexico border.

I would like to briefly examine NAFTA from the standpoint of both large U.S. industrial concerns and smaller companies in the context of trade with Mexico, since this has been my focus throughout the years. From a large company standpoint, NAFTA facilitated the entry, which was previously difficult or at times impossible, into the Mexican market. It's true that previous to the 1994 implementation of NAFTA, U.S. firms such as Ford, General Motors and Citibank had been actively doing business in Mexico. With the advent of the maquiladora program in 1965, it became more and more common to see U.S. firms producing in Mexico. However, this did not necessarily mean that these firms could sell their products into Mexico nor break into restricted Mexican markets.

NAFTA attempted to lower tariff and non-tariff trade barriers between the three NAFTA partners with the objective of creating a North American Free Trade Block. According to the U.S. Department of Commerce International Trade Administration, U.S. exports to Mexico during the first 10 years of NAFTA rose by 106%. From 1994 to 2002, Mexican foreign direct investment in the U.S. grew by 280%, as compared to growth of 185% by non-NAFTA countries during this period of time.

I have seen first-hand the effect that NAFTA has had in providing accessibility to large U.S. firms wishing to export their products to Mexico. My old real estate development group recruited to our three industrial parks in Santa Teresa approximately 35 companies for which we built more than 2 million square feet of industrial space. Almost all of these firms are supplying manufacturers or distributors in Mexico. Approximately 1,500 direct jobs and possibly three to four times this many indirect jobs were created by these companies in southern New Mexico, one of the poorest regions in all of the U.S. American companies account for the largest portion of Mexico's imports, and NAFTA has facilitated this flow of goods and services south.

From the standpoint of the smaller companies (manufacturers, distributors and service providers) the biggest effect that I believe NAFTA has had is creating an interest in exploring business in Mexico that previously did not exist. In other words, NAFTA encouraged smaller businesses to look at Mexico as a viable market where they could explore new commercial opportunities. Having worked assisting smaller companies in the pre-NAFTA period, it was extremely difficult to generate any export successes, due to the previously closed economy that Mexico presented to foreign companies. Smaller companies simply did not have the resources to overcome all of the barriers that the Mexican market presented. Today, my non-profit trade counseling center is inundated with requests from smaller New Mexican companies hungry to explore opportunities south of the border; and by Mexican companies exploring joint venture opportunities with U.S. counterparts.

For both large and small U.S. companies, NAFTA has lowered the tariff barriers that made doing business in Mexico infeasible. In my experience, the removal of tariffs from a customs schedule is clear and understandable. What is hard to eradicate and continues to pose a serious threat to the fulfillment of NAFTA is the continuing presence of what are referred to as non-tariff barriers. At the border, we commonly refer to these as bottlenecks. These can take the form of congestion at the ports of entry, confusion over proper documents needed to cross merchandise across borders, uncertainty over work visa permits, and inconsistent cargo inspections among others.

According to the U.S. Department of Commerce, total two-way trade between the U.S. and our NAFTA partners grew by 111% between 1993 and 2003. This occurred despite the fact that Mexican commercial trucks coming to deliver merchandise in the U.S. market cannot go further than a thin border commercial zone north of the U.S. border. Truck drivers and their cabs have to cross into the U.S., unhitch their trailers with their cargo, and have an American driver and cab deliver the merchandise to its final destination in the U.S. A similar situation exists for American drivers attempting to deliver their merchandise to destinations in Mexico. This extra process adds time and costs to the logistics chain, which results in extra costs to the manufacturers/distributors. These costs are then passed on to the consumer. Of course we want safe Mexican trucks on our highway - we don't want to endanger U.S. citizens with unsafe trucks on our roads. I can say this with certainty because I live within the border commercial zone. My wife Loretta and son Joseph are on the freeways side-by-side with Mexican trucks on a daily basis, and I certainly don't want them put in harm's way. However, restricted trucking continues to remain a bottleneck that impedes the free flow of trade.

A particularly positive development in terms of the expediting of cargo, while at the same time addressing security, is the Fast and Secure Trade (FAST) program that is managed between the private sector and the Bureau of Customs Protection, under the aegis of the Customs-Trade Partnership Against Terrorism. In this program, qualified manufacturers, distributors and logistics firms commit to securing shipments against terrorist activities and contraband from the time the product is made to the time it is delivered. Participating companies and their employees undergo background checks, and appropriate monitoring procedures are used to secure the shipments. Trucks participating in this program are then allowed to use a special FAST crossing lane for expedited crossings. This program is becoming more and more popular along the border, and holds a lot of promise for combating illegal activities and congestion at the ports of entry.

Another bottleneck relates to work visas. If trade has increased more than 100% among the NAFTA partners, shouldn't we expect businesspeople in the three countries to require more mobility to travel and work throughout North America? NAFTA created a special temporary work visa for Canadian and Mexican citizens wishing to work in the U.S. called the TN visa. At face value, this was supposed to allow qualified Canadians and Mexicans to work in the U.S. After twelve years, the TN visa program appears to have worked for Canadians. According to the Department of Homeland Security's Office of Immigration Statistics, from 1996 to 2005 almost 700,000 TN visas were issued for Canadians to work in the U.S. This averages more than the current total annual 65,000 cap on H-1B visas

During this same period of time, Mexican workers were issued about 20,000 TNs, an average of fewer than 2,000 per year. Many employers don't want to go through the paper-heavy, time-consuming bureaucratic process of sponsoring a Mexican employee. By and large, TN applicants are required to have specific skills according to the list of acceptable TN professions. Many of the Mexicans who don't qualify for any of these categories still wish to come to the U.S. to work in unskilled and labor-intensive positions. In general, the TN visa is not structured to accommodate these workers, and therefore, many enter the U.S. illegally and live on the lam, working for American companies that desperately need labor.

I myself have gone through the TN process to sponsor a trade specialist employee for my firm, who assists me in providing consulting services for our clientele. By the time we had finished the application process, we had created a book the size to rival *War and Peace*. This was not a pleasant experience. In my opinion, and hindsight is 20-20, this is one of the perplexing aspects of NAFTA – if we realistically want to create a North American Free Trade block so that we can remain competitive against other regions of the world, can we realistically expect to do this without some type of viable work visa program?

The retraining of workers negatively affected by NAFTA has been a rocky road at best. Many workers or companies do not know that retraining funds are available, and if companies are aware of this assistance, it can be hard for them to prove that a multilateral agreement such as NAFTA has negatively affected their welfare. Oftentimes, companies simply close shop and the employees are thrown out on the street to collect unemployment benefits without realizing that they are entitled to retraining funds. In my experience, this issue has impacted both small and large U.S. businesses.

At precisely the time that NAFTA was implemented, the U.S. Department of Commerce (DOC) was put on tighter reins in terms of assisting businesses. It went to a cost-recovery system of providing its services. In other words, it started charging for services that previously were provided for free. DOC trade specialists are now required to be oriented to the sale of services, and are rated on total revenues generated. Many smaller companies wishing to explore their markets that previously could approach the DOC cannot afford or are not willing to pay for these services. If we believe that increasing U.S. exports and exploring global opportunities for smaller U.S. businesses is a good thing, why was the DOC reoriented the way it was? The DOC remains one of my favorite resources to assist companies exploring their international markets. However, I don't believe that it is as user friendly as before. The potential for this organization to increase its impact on the small business sector is great, but more along the lines of how it operated before.

Fifteen years after having become involved in supporting NAFTA, and 12 years of having worked during the course of the implemented agreement, I still believe that the agreement has brought more positive than negative results to the U.S., especially in terms of increased exports and the creation of export-based jobs. Everyday, I work in the trenches on the U.S.-Mexico border assisting U.S. companies wishing to sell their products and services in Mexico. We have had export successes to Mexico with clients involved in telecommunications systems, high-technology products, and automotive accessories. Without NAFTA, the majority of our clients would not have been able to expand their markets or create the new jobs that currently exist in my state due to this agreement. From 1993 (the year before NAFTA was implemented) to 2005, the state of New Mexico's exports to Mexico more than quadrupled. Similar results have occurred in an overwhelming number of U.S. states.

By no means is NAFTA perfect – many issues need to be addressed. However, we can learn from the positives and negatives of NAFTA in order to better structure future U.S. trade agreements with the objective of creating new opportunities for U.S. companies and new jobs for Americans.