

3. Policy Position

North American Free Trade Agreement: Implementation of More Responsive Trade Laws for Southern States

BACKGROUND

The North American Free Trade Agreement (NAFTA) was approved by Congress in late 1993 and implemented on January 1, 1994. The agreement gradually phases out tariffs and other import barriers between the United States, Mexico and Canada over a 15-year period.

In the months leading up to the passage of NAFTA, agricultural producers in the southern United States, particularly in Florida, expressed grave concerns over the potential impact of the agreement on their industries. They were concerned that Mexican producers, with substantially lower labor costs and fewer environmental and labor regulations, enjoyed an unfair competitive advantage in the U.S. market. Members of Congress and industry organizations warned that provisions contained in NAFTA, designed to mitigate potential damage to domestic producers, would fail to do so because of the unique nature of perishable, seasonal crops. In order to overcome opposition to the agreement in the weeks prior to Congressional consideration of NAFTA, commitments were made by administration officials to members of Congress and industry organizations that producers would be protected from import surges following the implementation of the agreement.

Since NAFTA's implementation, vegetable imports from Mexico have increased dramatically. Following the devaluation of the peso in late 1994, imports in the first half of 1995 surged 40 percent higher than the comparable period in the prior year. Shipments of vegetables from Mexico increased substantially again in 1996. Tomato and bell pepper imports in the 1996 season surged 46 percent and 28 percent, respectively, over the previous year. Growers of these commodities have suffered financial loss as a result of the surge in imports, and the dumping of the product at less than fair market value. Neither the safeguards contained in NAFTA, nor the commitments made by the Administration, have provided vegetable producers with relief from increased imports from Mexico.

RECOMMENDATION

The Southern Legislative Conference of The Council of State Governments urges the Administration to fulfill the commitments made to members of Congress and the agricultural industry, and utilize all possible remedies at their disposal to provide much-needed relief to vegetable producers suffering economic loss due to import surges from Mexico. The Conference further urges the Congress to pass legislation that would make U.S. trade laws more responsive to producers of seasonal, perishable crops.

Adopted by the Southern Legislative Conference, Nashville, Tennessee, August 12, 1996.