
THE LEAD NEGOTIATORS REVISIT NAFTA

5th anniversary of the NAFTA, June 4-5, 1999, Hotel du Parc, Montreal, Canada.

**Celera Search
Interviews**

**Carla Hills
Jaime Serra Puche
Michael Wilson**

The McGill Institute for the Study of Canada organized a conference on the 10th anniversary of the Canada-US Free Trade Agreement and the 5th anniversary of the NAFTA. This conference took place June 4-5, 1999 at the Hotel du Parc in Montreal, Canada. Former President Bush and former Prime Minister Brian Mulroney were in attendance, as well as former Secretary of the Treasury James A. Baker, former USTRs Clayton Yeutter and Carla Hills (United States Trade Representative 1989-93), and former Canadian trade Ministers Michael Wilson (Minister for International Trade 1987-91) and John Crosbie, as well as Donald S. Macdonald, chairman of the Royal Commission whose 1985 recommendations led to the Canada U.S. Free Trade Agreement. Jaime Serra Puche former Minister of Commerce (Mexican lead negotiator for the NAFTA 1988-94) and Minister of Finance was also in attendance.

Grant Lussier interviewed Carla Hills, Jaime Serra Puche and Michael Wilson on June 5th. These three people, as the lead negotiators from the three NAFTA countries, stamped their imprimatur on this historic international trade treaty. The NAFTA economies form a regional trading area that accounts for 23% of global output, larger than the European Community. The following is a transcript of the interview.

Grant Lussier: I'd like to start briefly with a background question because precious few people beyond the first two, three hundred Fortune 1000 companies really don't understand what the NAFTA is about even to this day. So, between all three of you, I'd like for all of us to have informal and quick dialogue. Please jump in, I don't want this to be too formal.

So, in general terms how did NAFTA get started? Whose idea was it? Who were the main characters? What were the key drivers that got NAFTA going? Was it tough to get accomplished? Who backed it?

Carla Hills: How far do you want to go back?

Grant Lussier: Well I think if it's ten or fifteen years back, that's fine.

Carla Hills: Reagan talked about it in his campaign. He thought of free trade. President Bush and President Salinas talked about it when they were both elected president but had not been inaugurated in Houston. The two of us (she points to Jaime Serra) talked about it at Davos in February of 1990. President Salinas was the first to concretely offer it as a possibility to President Bush who, embraced the notion quickly and we started talking and then the Canadians asked if they couldn't have a chair at the table.

Jaime Serra: The existence of the Free Trade Agreement between the US and Canada also made a big difference.

Carla Hills: It was certainly a template.

Michael Wilson: I think Canada and the US were each others largest trading partner and I think Mexico was number three or Four for the US.

Jaime Serra: We were. Now actually, we're number two.

Grant Lussier: What is Canada's trade with the US right now?

Michael Wilson: Right now? Two way, it's somewhere in the order of Canadian dollars \$450 billion so \$300 billion US. It's a huge trading relationship. But our interest at the time was we saw some opportunities in Mexico because we weren't exploiting that market as well as we should have. We had just joined the Organization of American States. So we felt, we should be there as part of that. But the other is, we were concerned that if the US did a trade agreement with Canada and then another trade agreement with Mexico and then another trade agreement with Brazil and another one, it would be the hub and spoke theory where they would get a lot of the benefit and we wouldn't have the relationship with the other countries the same way as the US would.

Carla Hills: And our view was same premise. Hub and spoke. Would be detrimental because it would be so complex for our entrepreneurs to know which rules of origin, where the tariff was, it becomes like we said, a bowl of spaghetti.

If you have one set of rules because you're moving towards free trade with one country and another set of rules with another and exemptions with one, it becomes really unclear and difficult, at least complex, when what business people want is certainty and clarity.

Grant Lussier: So, what were some of the original objectives of NAFTA?

Carla Hills: The original objectives?

Grant Lussier: Yeah, what was the architecture of this treaty like? In general terms what was it intended to look like, objectives?

Carla Hills: The original objective, The broad objective, the goal was to have free trade throughout the North American region. So unlike any other trade agreement, with the exception of very few carve-outs, energy for Mexico, agriculture for Canada, our objective was to remove these barriers. That is very different from the way you sit down on most agreements. That was the broad objective.

Michael Wilson: I think the objective was to build on the agreement that was already in place, free trade agreement with US and Canada to make that a better agreement and broaden it to encompass a third important trading partner. Just to step back a bit, the free trade agreement was more of, it's called an irritant's based agreement where we each identified problems that we wanted to resolve and we did resolve the free trade agreement with US Canada but the NAFTA was an agreement that was a rules based agreement that had deregations where the people did not want to be governed by the agreement but it was then, it became an agreement that other parties, so other countries could accede to. We laid the groundwork for the FTAA.

Jaime Serra: For the Americas you mean?

Michael Wilson: Yes

Jaime Serra: I would say two things from that. I think first of all, NAFTA is an instrument for the business community. By itself, if the business community doesn't take advantage of the rules that NAFTA provides, then NAFTA is not useful. When you see the numbers that NAFTA has produced, it is just impressive -- all the work that is behind NAFTA.

Carla Hills: Right.

Jaime Serra: In a day to day production, exports, and decision making at the business level our objective was to set the rules for freer trade, freer investment. There are very important provisions for investment within NAFTA that allows for capital – foreign direct investment within the North American region with a great deal of certainty and with very few obstacles. So the objective was to provide this instrument to the business community and to let them do business, maximize their activities and the profits and so on within the region. And the second that I think is very important is that the objective was also to take advantage of some natural, natural complementarities that the three countries have. Because, you know, the Americans and the Canadians have a huge endowment of capital. We Mexicans have a higher endowment of labor in relative terms and that allows for a complementarity that allows the region to be more competitive, viz a vis all the regions in the world that were doing similar things, the Europeans above all. So those, I think, those were two very important objectives.

Michael Wilson: Let me just pick up on one point that Jaime made. In the investment provisions of the US Canada free trade agreement, they were quite specific focused on problems. In the NAFTA what was very, very important is that it moved to an investment chapter which established a set of ground rules in a very broad sense so that people who were investing in any of the countries would know what the rules were. This becomes very, very important as you look to broaden, to the Americas as a whole, because there's a very important interest on the part of business in our three countries to have a good set of rules for investing in a range of countries.

Carla Hills: You can pick out these areas, when you look at the agreement it's the most comprehensive agreement that has ever been negotiated multilaterally or regionally. It eliminates tariffs. It doesn't just reduce them on all industrial goods. At least between Mexico and the United States it opened up agricultural trade unheard of in trade parlance.

Grant Lussier: Sure.

Carla Hills: And within a 15-year period. As Michael says, it has rules for investment, it opens up protections for investors. It is not been done multilaterally. It has the highest protection for intellectual property of any agreement yet negotiated anywhere.

Jaime Serra: Services.

Carla Hills: Services, has a broad range of services that no other grouping has been able to meet. So I come back to if you ask, what was the purpose of the agreement? It was to reopen up trade. And I think it's demonstrated, to any, any kind of, friend or foe, they cannot say that it hasn't had a dramatic and positive effect. Of course the foes don't say that.

Jaime Serra: Yeah. On trade and investments flows?

Carla Hills: on both, on both of them.

Carla Hills: Yeah on both. On both.

So I come back to if you ask, what was the purpose of the agreement? It was to reopen up trade. And I think it's demonstrated, to any, any kind of friend or foe, they cannot say that it hasn't had a dramatic and positive effect. Of course the foes don't say that.

Carla Hills

Grant Lussier: This next question -- how did you contemplate the NAFTA in terms of the losers and winners? In other words, I would imagine this would have been one of the biggest blocks against the three of you as you were trying to negotiate and take this effort forward. No?

Carla Hills: If you're looking at having maximum open trade, I mean, believe me there are very few carveouts. More with Canada, fewer with Mexico and when the NAFTA phases in, very, very few. You need to think of it as a win win win situation. Yes, there will be adjustments, there will be people who are doing different things but certainly in the United States which has been the most vociferous in its attacks on the NAFTA, it's very difficult with the number of jobs that are created per week to say that NAFTA has had any detrimental affect at all.

Grant Lussier: Well, in actuality I think you would agree, if any one was vulnerable it was the Mexicans because of free competition. Because they have been protected for so long, many of these companies will go out of business.

Jaime Serra: You should realize though that NAFTA came after Mexico had already started a very serious opening process by joining GATT in 1986. And then by opening unilaterally, by lowering tariffs and so on. So, a good chunk of the openness of the Mexican economy had already taken place before NAFTA. But the important thing is that (Mexico) realizing it could have losers, we agreed in a transition period, for some products there are so-called sensitive products, takes up to 15 years.

Grant Lussier: How long?

Jaime Serra: 15. So what happens is that at the end of the day all those who economic agents that do manage to adjust through that transition period, will be net winners. And that's why the transition period was built. So when we say well, there are no losers, some say come on guys! And yet, no, it's true. We gave time for the potential losers to adjust. And what you see right now is that, indeed, many industries are enjoying the NAFTA provisions.

Carla Hills: Absolutely.

Jaime Serra: And those that are not adjusting, even though they have the time to do the adjustment process, are suffering. So the losers are the ones that did not take advantage of the transition period. We are one third through the transition period, you know.

Carla Hills: Right.

Jaime Serra: I mean, we haven't done the two thirds of the transition period so there is still time there.

Carla Hills: It's hard for us in our country to find real losers. We set up a trade adjustment assistance for those adversely affected by the NAFTA and it's very difficult to find people who are adversely affected at least to pin the cause.

Jaime Serra: Yes.

Carla Hills: To pin the cause on the agreement per se. And we've had a robust economy so that our unemployment is down to lower than economists imagined would be possible.

Grant Lussier: What about the...?

Michael Wilson: As Carla had said, we each carved out some areas that the agreement did not apply to. But

the important thing is that in the Free Trade Agreement, US Canada, people identified losers that were bound to really suffer. I mean they were going to get killed. One of them was wine, well we made changes to the regulations as to what Canadian wine was. At the same time as we opened the market to California wine and once this happened, we have a stronger wine industry in Canada. You can use the same to furniture. People thought that the furniture industry was going to get killed. Some parts of our furniture industry, today, are doing relatively better than the counterparts in the US.

Jaime Serra: Apparel.

Michael Wilson: Apparel was another one. There is a company here called Peerless Clothing. It was, I mean this guy was a real thorn in my side in the time of the NAFTA negotiations because he kept getting articles in the paper saying how well he was doing under the free trade agreement whereas that was an industry that was going to get killed. So it's very difficult, you had an adjustment program, we were told that we should have an adjustment program, we didn't do it because we thought this is going to be very, very difficult to identify in an intellectual sense but far more difficult to administer in a political sense who gets the money, who doesn't get the money.

Grant Lussier: Of the three nations, which one do you think was the most reluctant to really go forward?

Jaime Serra: You mean the public?

Grant Lussier: In terms of public opinion, political opinion.

Carla Hills: Oh, without a question, I think in terms of ratification, the US had the hardest time with the NAFTA of all three. I don't think we would have had as hard a time if President Bush had been able to offer the agreement or President Clinton had offered the agreement in the first months of the new term. But by waiting, it permitted the opposition to galvanize and there wasn't a strong enough campaign in favor of the agreement.

Michael Wilson: You had to look at the difference in the NAFTA negotiation and the difference in the free trade agreement.

Carla Hills: Canadian.

Michael Wilson: In Canada, because the Mexico Canada implications were not nearly as pervasive, and as deep as the US Canada implications so that the transition or the implementation or the politics surrounding the Free Trade Agreement US Canada was very, very deep, very divisive. We fought an election on that was the sole issue and I would say that our problems then were far greater than the US had with the NAFTA but parts, wherever, people were affected and it was controversial.

Carla Hills: And there is a difference because our problems with the NAFTA I would say were equivalent to Canada's problems with the US Canadian free trade agreement have and still continue today. So if you ask the average person or conduct a poll in the United States, they are unaware of the tremendous benefits have.

Grant Lussier: Accrued from the...

Carla Hills: accrued from the NAFTA. Whereas, I suspect here in Canada they would be more persuaded if they had benefited and the raw objective facts would demonstrate that all three countries, the populations have gained very, very measurably from having these two agreements.

Michael Wilson: We had also the political change from one government to another where the old government was standing alone against two political parties defending free trade. Then, when one of those two became the government, the liberal party, they embraced free trade with a vengeance. And it was, as if it was their own. And so that has changed the politics which has allowed this more positive atmosphere that exists.

Jaime Serra: That happened in the US. The Democrats...

Michael Wilson: They didn't have the...

Jaime Serra: And in Mexico we hear the opposition people making little nagging comments about NAFTA but never questioning the NAFTA. I mean, you have many of the potential candidates to the left and to the right saying, I want to get rid of that (NAFTA)...

Michael Wilson: Well, we would have done it better.

Jaime Serra: We would have done it much better.

Carla Hills: That's right.

Michael Wilson: Some of them didn't want us.

Jaime Serra: Right.

Carla Hills: That's right. That's right.

Grant Lussier: Okay, what are some of the examples of the success of NAFTA? Let's say three of the foremost positive impact type examples that NAFTA has had?

Jaime Serra: I can give you a few Mexican, or maybe they can give you some American-Canadian. Mexico by now is the number one supplier of apparel to the US market. Even above the Chinese who used to dominate the market. But the very fact that within the NAFTA, the quotas and tariff peaks disappear for apparel, which as you know is a very labor intensive activity, gave Mexico a tremendous advantage and access to both the American and the Canadian markets. And today we are the number one supplier for that. And that has created both jobs in Mexico and better or lower priced products for the US market and the Canadian market for the consumers. That's one example. Another example that I think is very interesting is the automotive industry.

Certainly automotive, in fact, I would say that the unions that were the most critical of the NAFTA, their members have gained the most. Actually.

Carla Hills

Which the big producers in the region are taking advantage through a resource allocation and production specialization by choosing the right sides of the three countries and becoming much more competitive. So there you have two very clear examples of success of industries that have used NAFTA fully.

Carla Hills: I take the broad picture and say that trade throughout the region is up very substantially -- greater for all three participants than their trade with the rest of the world. And underneath that, you have industries that range from automotive to chemical, textiles and apparel that have been able to integrate production facilities and become more competitive. And that has enhanced their, their opportunities. Certainly automotive, in fact, I would say that the unions that were most critical of the NAFTA, their members have gained the most. Actually. (slight sigh of irony)

Grant Lussier: Why would that be?

Carla Hills: Why?

Grant Lussier: It seems counterintuitive.

Carla Hills: It does, it is absolutely counterintuitive. But it's still the case in the United States that the automotive industry considers NAFTA a very bad five letter word.

Grant Lussier: Oh yes. Absolutely.

Carla Hills: And yet, the automotive workers who were restricted into a mature market have done much, much better by having the integration that has come throughout the region.

Michael Wilson: I don't think it's counterintuitive if you ask the question in a big "P" political way. The unions in Canada are dead opposed to policies that liberalize, that open things up. So our union movement has been dead opposed to free trade, to privatization, to deregulation, to deficit control, production so that they oppose not in an intellectual rational, in a rational way, in an intuitive way but in a very partisan big "P" political way. Let me, on the question of the benefits, both in the broader picture as well, cause I think that's the important way of responding in our context. It's changed the MindSet of Canadian business people and individuals in a sense that they see -- okay we have been able to improve our trade with the United States from our exports in total, and gone from 20% of GDP to about 40% of GDP. So, they are saying, we can succeed up there. So there's no reluctance to the trade and the other is, just the broad productivity. You heard a debate at this session about whether or not the productivity is improved and how much it is improved in this industry or that industry. I just ask the question another way. Without free trade, without being able to invest in US or Canada, depending on what the right place would be, where would Canadian productivity be today if we didn't have these agreements.

Without free trade, without being able to invest in US or Canada, depending on what the right place would be, where would Canadian productivity be today if we didn't have these agreements.

Michael Wilson

So there's no reluctance to the trade and the other is, just the broad productivity. You heard a debate at this session about whether or not the productivity is improved and how much it is improved in this industry or that industry. I just ask the question another way. Without free trade, without being able to invest in US or Canada, depending on what the right place would be, where would Canadian productivity be today if we didn't have these agreements.

Grant Lussier: So you're thinking productivity has increased generally in the region?

Michael Wilson: Right.

Carla Hills: Throughout the region. No question. Absolutely.

However, if they would go to Mexico, they could probably double the size of their business in a period of five years and be in a position to further roll out into Brazil as well.

Grant Lussier

Jaime Serra: We did eliminate distortions.

Carla Hills: That's right.

Jaime Serra: Right. What a tariff does is to introduce a distortion. Right?

Carla Hills: And we not only dealt with tariffs but also restricted regulations that are very distorted.

Jaime Serra: So clearly you get to productivity gains by eliminating those distortions and those obstacles.

Michael Wilson: You have to have a major productivity gain.

Grant Lussier: Looking forward to another question, we were going to touch upon it, so I think I'm going to jump to it right now. I'm somewhat of an automotive buff. My family has been in the automotive industry for five generations. It's in my blood. I've seen that the auto parts industry, for example, has grown dramatically in Mexico. Okay, but at the same time it's really only the first tier suppliers who have been involved because their arms have been twisted and forced by GM, Volkswagen and Chrysler to bring in their first tier suppliers.

And it's the second and third tier suppliers, the guys with \$300, \$400 million dollars (sales) a year who are incredibly reluctant to come into Mexico. And yet, you realize that they are in a saturated market in the United States and Canada with slow real nominal growth of let's say one or two percent a year. However, if they would go to Mexico, they could probably double the size of their business, in a period of five years and be in a position to further roll out into Brazil as well.

So -- this probably is going to be more relevant to you, Jaime -- there is a certain stigma, I believe that's still attached to Mexico vis a vis the United States, that is really damaging to the whole trading partnership as a whole. I don't know if you agree with me or not, but I constantly talk to senior executives, and it's amazing how many don't consider Mexico as relevant to their day to day operations. You'd be surprised.

Jaime Serra: Things have changed, but you are right. There is still many second thoughts to invest in Mexico or outside Canada or the US, particularly when we talk about NAFTA. And things have improved a lot. You must be aware that before NAFTA the average foreign direct investment per year was in the neighborhood of \$3 billion dollars. After NAFTA, the average fund-raising business per year is in the \$10 billion dollars. It's just incredible. Yet, it should be fifteen or twenty billion and that's the case you are making.

But NAFTA will get used more, as the permanence of NAFTA becomes more credible and as we continue our political openings (continued democratization).

Carla Hills: Yes.

Jaime Serra: And after we go through some bumpy roads as we are going right now as a country, I think this is going to be consolidated and the flows are going to grow. Particularly about (the auto parts) the industry we are referring to. There is a problem, it is the globalization of the industry and the global sourcing issue, which is putting auto parts producers in very difficult circumstances.

And we have constraints still within the NAFTA which will disappear over time. So some of those second tier, third tier don't come because of their certain issues, but also because of the globalization of the sourcing, the global sourcing, and the third is because there is still some constraints in the "Decreto Automotriz" (Automotive Decree) we have in Mexico. All those things will disappear over time and you'll see, I think, a more rational role for the auto parts industry.

Grant Lussier: or, look at the lack of direct investment in the Maquila Industry. For example, if you look at the entire supply chain of the maquila sector, and ask how much of the raw materials are coming from Mexico in the supply chain? It's remarkably low -- it's like 3% comes from Mexico. There is a huge missed opportunity both for foreigners and local Mexicans. Also, there is a perception -- many Americans don't realize that 95% of their Sony TV's are manufactured in Tijuana or that virtually 100% of the laptops from IBM are made in Guadalajara. I mean it's just unbelievable. There's a perception really that Mexico is just not...

Jaime Serra: Up to the standard.

You must be aware that before NAFTA, the average foreign direct investment per year was in the neighborhood of \$3 billion dollars. After NAFTA, the average fund raising business per year is in the \$10 billion dollars. It's just incredible. Yet, it should be fifteen or twenty billion and that's the case you are making.

Jaime Serra

Grant Lussier: Up to the standards of world competitive industrial nations.

Carla Hills: Be careful of how you make those conclusions though because let's go back to your first question. The objective of NAFTA is to present the opportunity for integration and competitiveness. A third or fourth tier component manufacturer may not have to move in order to participate in the integration. You locate your parts, where you will. Secondly, Mexico had an upset with the peso devaluation which has caused some to stay their hand and wait and see. So we've only have five years of the NAFTA. We've had some turmoil in Mexico and I think that the issues that I may have identified about let's wait and see, there's still restrictions. You put that all together and it provides an explanation but NAFTA will not solve every business problem...

Michael Wilson: Well of course not.

Carla Hills: ...that a concern has. What it does, is enlarge new opportunity.

Michael Wilson: Just, a political aside on that, in the debate certainly in Canada the people who were proponents of free trade raised expectations too high that it would solve all these problems and the opponents were equally as extreme, probably more extreme than the other side saying, it will destroy those things which are important to our country. If you vote for Mulrooney you'll lose your old age security. You'll lose your Medicare. The people were going into the old age homes saying these things. So that's why it's taken awhile for things to settle down and people to get a more objective, less extreme view of what is likely to happen.

Grant Lussier: Have there been any noteworthy failures or things that you would have done differently?

Carla Hills: In the agreement?

Grant Lussier: Yes.

Carla Hills: In the implementation, there have been failures in all three countries that are lamentable but our...

Grant Lussier: In terms of implementation for example what do you mean?

Carla Hills: Oh, I think that you'd say on transportation.

Jaime Serra: Trucking.

Carla Hills: Yeah, trucking issue.

Grant Lussier: UPS's problem for example in Mexico.

Carla Hills: Yeah. And there have been some political interventions that have been unattractive but that doesn't destroy the underlying norms that have been established and the objectives and the goals.

Michael Wilson: That's an important point. Over 95% of our trade, I'm sure of all three countries goes on like clockwork every day without problems. But it's what catches the attention of the media and what gets the focus are these intermittent problems. I'd say if there is a failure, it was that we did not get enough things into the agreement. And those areas where there are disputes today are usually those areas that have not been covered by the agreement, softwood.

Carla Hills: Um hum.

Michael Wilson: We never were able to get softwood lumber under the agreement, parts of agriculture were not in. Parts of financial services we couldn't get in. So.

Grant Lussier: Are there provisions to be able to go back and redress it?

Michael Wilson: All these are going to be redressed but one of the reasons for having a comprehensive agreement is that you bring in some of the difficult ones with the easy ones.

Grant Lussier: Sure.

Michael Wilson: If you have a sectorial, a series of sectorial agreements you pick off the lower hanging fruit and you don't take on the challenging issues. So at the extreme we left some of those challenging issues off the table and those are the ones that are causing problems today. Certainly in the US-Canada context.

Jaime Serra: And lack of opening services. I don't think we've done enough, I mean far enough.

Carla Hills: That's right.

Jaime Serra: On the services part. That clearly introduces a competitiveness issue because...

Grant Lussier: Well, when you say services, what are you talking about?

Jaime Serra: Financial Services, telecom, transportation. When you look at all the sectors, they are not as open as they should be. They will. Naturally.

Carla Hills: The provisions are there. The provisions are there though, that's the important thing.

Jaime Serra: Yeah, but if you look at the actual opening and the actual transactions and so...

Carla Hills: Right.

Jaime Serra: ... we haven't made enough progress. Attempts to get the competitiveness of the economy because those are, you know, the traditional non traded areas. so we have provisions for the provision of services which was to complement the competitiveness for products. And that is where I think we haven't made enough progress.

Michael Wilson: And some of those are not related to direct you know, desire whether to negotiate but in the case of US you've got the Glass Eagle Act which still has provision which inhibit deregulation in that sector and that deregulation accounts, will allow a more open amount of trading but until that deregulation comes, we're stuck.

Carla Hills: But that's our domestic law. I mean we don't permit that, we don't permit banks to do certain things.

Grant Lussier: Sure. It's a structural impediment that will exist for quite some time.

Michael Wilson: And you've got your Jones Act.

Carla Hills: Right.

Michael Wilson: Which is a very big political issue and we've got our political issues as well and what we call the cultural sector is what the US calls...

Carla Hills: Protectionism.

Michael Wilson: And this is a hoary old thing that we got to deal with but that's the nature of politics as it relates to trade.

Grant Lussier: Going forward, what are some of the foreseeable new problems or big challenges?

We have just been treading water since we signed the NAFTA. It's, I think very, very sad.

Carla Hills

Carla Hills: For the United States it's to generate support for open markets across the board. We don't have fast track negotiating authority. So we're really paralyzed. It was President Bush's vision to have the NAFTA be a first step for free trade agreement for the Americas. And we have been just treading water since we signed the NAFTA. It's, I think, very, very sad.

Grant Lussier: What's that due to, do you think? What are some of the reasons that there isn't enough political consensus or public consensus?

Carla Hills: Proponents of trade and the leadership has not sufficiently mounted a campaign to explain to the American people what trade means to them. Too often rhetoric is couched in terms of what I call a mercantilist policy. Exports are good, which implicitly means imports are bad and since we have a deficit, a trade deficit with both Mexico and Canada, \$15 billion and \$18 billion, that gives the opponents the ability to say "see if you think we're getting jobs by exports, we're losing jobs by imports" and that's...

Michael Wilson: This is a, it's a narrow view of it because if those opponents broadened instead of saying the trade deficit, look at the broader balance of payments which includes for Canada a very large number of people going and spending a lot of money in Florida and Arizona, California enjoying the weather and that's not picked up in the trade balance but it is certainly picked up in the balance of payments.

Carla Hills: Right.

Jaime Serra: I would say with that, that a big challenge is if the leaders, the current leaders in our three countries really mean business for the enlargement of NAFTA, towards the rest of Latin America, they have to start putting their act together. First of all, the political hurdles that Carla was referring to in the US have to do with getting things back on a fast track. Then, after that, they have to deal with very serious technical issues relating to trade. For instance, the issue of rules of origin -- and I don't think they have gone through that yet. I mean, they are going to have to really work seriously on this. And I don't see the setup, with all due respect, to do that.

Carla Hills: I don't either.

Jaime Serra: So, it's a big challenge if they mean business about NAFTA enlargement.

Carla Hills: If they are truly interested.

Jaime Serra: Yes, if they are truly interested.

Grant Lussier: So, the chances are the likelihood we'll see a whole regional hemispheric trade block probably won't happen for a very long time based on what we're seeing?

Michael Wilson: Well, is that what you feel Carla, with this administration? This leadership?

Carla Hills: No, we still have time. Yes. We still have time. It'll take some salesmanship. But the benefits are there. So the campaign of selling could be there. It has to start at the top and it has to be not one speech but every day a reference to it. Every, you know, every occasion and it's changing a MindSet just as it was changed here in Canada. It has not yet occurred in the United States.

Grant Lussier: Will we see the demand to create a common currency?

Jaime Serra: What's that again?

Grant Lussier: A common currency? Like the Euro?

Jaime Serra: Oh, that's very premature.

Carla Hills: Yeah.

Jaime Serra: I think that's a premature discussion.

Michael Wilson: Yeah.

Grant Lussier: We kind of touched on this one. I would like to explore opportunities for corporate leaders that are not being exploited today such as in the automotive industry, the maquila sector. The Banking sector for example. I think the Canadians in banking have been much more aggressive than the Americans in Mexico.

Jaime Serra: Oh yes.

A momentary pause – Carla, Jaime and Michael gesture that they must leave to return to the NAFTA conference where they are key panelists.

Grant Lussier: Great. I know you guys are in a hurry. Thank you very much. Congratulations on being the architects of one of the most historic treaties in the history of the world.

Carla Hills: Oh I'm very proud of it. I think it's a splendid agreement. And. Now we're supposed to be at, 12:00 in a holding room, all right I won't be late for that.

Carla A. Hills is Chairman and Chief Executive Officer of Hills & Company, International Consultants. The firm provides advice to U.S. businesses on investment, trade, and risk assessment issues abroad, particularly in emerging markets.

Mrs. Hills currently serves as a Member of the Board of Directors for American International Group, Chevron, Lucent Technologies Inc., and Time Warner. She is a Co-Chair of the International Advisory Board of the Center for Strategic and International Studies; a Vice Chair of the National Committee on U.S.-China Relations and U.S. China Business Council; a member of the Board of Trustees of the Asia Society, the Council on Foreign Relations, The Institute for International Economics, The America-China Society and the Inter-American Dialogue; and a member of the Trilateral Commission.

Mrs. Hills served as United States Trade Representative from 1989 to 1993 (where she was the lead American negotiator for NAFTA), and was a member of the Executive Committee of the American Agenda, co-chaired by Presidents Ford and Carter. In 1981-1982, she served as Vice-Chairman of President Reagan's Commission on Housing and in 1985-1986 as a member of the President's Commission on Defense Management. Mrs. Hills has been active in the American Bar Association, serving as Chairman of the Antitrust Section 1982-1983, and as Chairman of the Conference of Section Chairmen in 1983-1984.

Mrs. Hills served as Secretary of the Department of Housing and Urban Development in the Ford Administration (the third woman to hold a Cabinet position). From 1974 to 1975, she was Assistant Attorney General, Civil Division, United States Department of Justice.

Before entering government, Mrs. Hills co-founded and was partner in a Los Angeles law firm. She also served as an Adjunct Professor at the University of California at Los Angeles Law School, teaching anti-trust law, and co-authored the Antitrust Adviser, which was published by McGraw Hill.

Born in Los Angeles, California, Mrs. Hills received her bachelor's degree from Stanford University, her law degree from Yale University, and has studied at Oxford University. She also holds honorary degrees from Pepperdine University, Washington University, Mills College, Lake Forest College, Williams College, Notre Dame University and Wabash College.

Mrs. Hills resides in Washington, D.C. with her husband, Roderick M. Hills. They are parents of four children.

Jaime Serra Puche is the Chairman and founding partner of Serra & Asociados Internacional one of Mexico's leading consulting firms on international trade and investment strategies. He served as Mexico's Undersecretary of Revenue, Secretary of Trade and Industrial Development, and Secretary of Finance. Mr. Serra led the negotiation and implementation of NAFTA; promoted the conclusion of the Uruguay Round and the creation of the World Trade Organization; headed the negotiations of free trade agreements with Chile, Colombia, Venezuela, Bolivia and Cost Rica; founded the Mexican Investment Board; and created the Federal Competition Commission.

His professional practice includes the design of investment strategies for foreign companies in Mexico, and advice to Mexican companies interested in becoming regional players in North America. He is a member of the Board of Directors of Alcatel, Fondo Mexico, Grupo Ferroviario Mexicano, Tamsa and Vitro. Jaime Serra is also a trustee of the Yale Corporation.

Jaime Serra is a graduate of the Universidad Nacional Autonoma de Mexico (UNAM). He earned his Masters in Economics at El Colegio de Mexico and his Ph.D. in Economics at Yale University. He has been a professor at El Colegio de Mexico, Stanford, Princeton and Autonoma de Barcelona.

Michael H. Wilson is Vice Chairman of RBC Dominion Securities and is responsible for senior client relationships and advice to both Canadian and international companies and governments.

Prior to 1994, Michael held senior Federal Cabinet posts with the Government of Canada in Finance; and Industry, Science & Technology & International Trade. Prior to his career in public life, Michael was executive Vice President of Dominion Securities Limited, with responsibilities in corporate, government and international finance.

In January 1994, he formed Michael Wilson International to provide advice and assistance to companies seeking to expand their international business activities through projects, joint ventures and major procurement orders and Michael will continue as its Chairman. Michael is also Director of a number of companies including BP Amoco p.l.c., Manulife Financial and Rio Algom Limited and is active in a number of professional and community organizations including Canadian NeuroScience Partnership, The Centre for Addiction and Mental Health, the Arthritis Society, The Canadian Club, The Aspen Institute and the Institute for the Americas.

Grant P. Lussier is Chief Executive Officer of Celera Search. Prior to Celera Search, Mr. Lussier was a partner and managing director at Heidrick & Struggles and Spencer Stuart. During his tenure as Chairman and Country Manager for Spencer Stuart in Mexico, Grant built the fastest growing executive search firm in the history of Latin America. As a strategy consultant with Arthur D. Little, Grant worked with global 3000 corporations developing business plans, portfolio analysis at the global business unit level and assessed international acquisitions and divestitures.

Mr. Lussier has conducted Board searches and "C" level executive recruiting assignments for global 3000 companies throughout the Americas. A partial list of previous clients include AT&T, MCI, Nextel, Sony, Toshiba, GE, Komatsu, Citibank, New York Life, McGraw-Hill, Columbia TriStar Pictures, SAP. A partial list of Venture Capital clients include Bessemer Venture Partners, Columbia Capital, JP Morgan Capital, Chase Capital Partners, Bluestream Ventures, and Advent International. At Celera, Grant specializes in recruiting "C" level executives for venture capital backed emerging technology startups as well as senior level executives for publicly traded companies in IT, Telecom and Life Sciences. He manages the firm's Value Based Selling practice. Mr. Lussier was raised in Buenos Aires, Argentina and received a B.A. degree in International Relations from Brown University. Upon graduation, Grant was the founder and for 11 years was the CEO of 3XM, Inc. a pioneer in CAD-CAM advanced prototyping.

Celera Search is a premier organizational strategy and executive search firm comprised of 35 former top tier strategy consultants, executive search professionals and software technologists in the USA and India. The firm specializes in providing Value Based Selling organizational strategy and recruiting services for industry leaders in IT (hardware/software), Telecom/Datacom, and Life Sciences. Celera Search's consultants have deep domain expertise advising and building senior level general management and technical teams across all functional areas. Celera Search created *celeritas*² cutting edge enterprise application software - data mining, business intelligence, knowledge management technologies - for identifying, recruiting human capital, benchmarking and workforce optimization.

