

José L. Pérez Exclusive Interview With Albert C. Zapanta
Champion of North American Free Trade
NAFTA now USMCA

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José:

Please tell us about the activities you've been engaged in to promote the United States Mexico Canada Agreement (USMCA) say in the last month or two.

Albert:

Well, the last couple of months have been rather quiet, to be honest. Everything got done, everything was in place, just before the coronavirus, probably not mistaken early March. And, so, it is about what we had been doing from the beginning. I'll get you a copy of the May 24th, two 17 reports that we've made to the Congress and the United States Trade Representative (USTR) about our working group focused on the passage or development and passage of the USMCA. Because it's got everything in it and it might be worthwhile for you to make sure you get a copy of it.

José:

Okay.

Albert:

We will get it to you. That's a background to show that we have been working on this since the president and his administration began and maybe the USTR. And that's, you know, from the beginning of his presidency, basically 2017, and then continuing into 2018, because here are some areas that need to be focused on, as an example, I'll give you some highlights of what we say in here and what we ended up doing and how we did it. And, we said that working group recommendations include protecting the US and Mexico. This is all written, that'll come at you, but just to get a sense of it. The US and Mexico trade position creates an innovative, smart border leveraging technology, achieving an energy balance and reviewing, trade agreements and workforce optimization and technology.

The second piece of that was implementing a smart border to provide essential security, improve efficiency, to ensure smooth and timely transport of goods and persons through the borders. Three, concerning information technology, developing and implementing platforms to achieve efficiency in national and border security, physical and cybersecurity trade, effective transporter movements of people and cargo. Then next achieving supply chain efficiencies with the continued evolution of shared economy concerning trusted trader programs, pre-clearance program improvement and innovation and infrastructure developing priorities relative to the international trade agreements and pursuing public-private partnerships to ignite mobile, digital learning skills, development, job training, while expanding innovative financing and drive growth in all sectors. And then we get into not just trade. We look at capital markets, we look at energy and utilities and agriculture health and environment. So all the pieces that were the building blocks of what was the United States Trade Representative (USTR) that got finalized, the first quarter of this year, meaning, March early March, and then July 1st of this month, when it went into effect and what that means is the Congress you have, once you do something like this,

an agreement or a treaty, you have to have a 90-day test what we call a cooling period so that all the signatories can make sure that they're signing up to every I dotted and T crossed.

And so that's what occurred. And so July 1st, this thing is now in effect, it is now the new NAFTA, which is now called USMCA. Now what we have done, which is the second piece of information I'll be sending, we have regenerated the North American working group. That was the original one that did this report, and we already delivered it to both congresses and both presidents, to the negotiators, the USTR, the Mexican secretary of the economy, and as well as the economic administrator for Canada. And so now what we've done is we've restarted the working group, and we're calling it a North American working group, the U.S. Mexico, Canada agreement implementation, and this is all laid out. I'll make sure we send it too, we will bring in about 40 to 50 people that are members of our board and key players.

So the automotive sector, labor environment, chemical industry, the pharmaceutical big pharma, I mean, you name it, and that's how we're going to be dealing with this because what's happening. And I'll say for the next 18 months, two years, three years, all of these rules that will implement the agreement have to be finalized and agreed to by all three countries because that's the implementing piece of all of this to say that we agree to all of the things that are now in place. Well, how do you get it done such as rules of origin for the manufacturing of automobiles that we went from 62.5% content from North America, and the three countries now to 75%? Well, how do you make that leap and what are the things that need to be adjusted as far as the rules and regulations that implement that 75%, what we call the content, but then you've got other things to consider.

Labor is going to be focused as to the enforcement side, because what the US labor unions have pushed forward through the Congress, because of the Democrat-controlled Congress, as they want to see a minimum wage as we have here (U.S.), in Mexico, and the negotiation started at \$15 an hour in Mexico. So those are the kinds of things that are what we call implementation, which means establishing the rules and what we call "noms," which are the nominal rules that kind of get you to the final rules. And then once you get to that and everybody agrees to it, guess it takes another 120 days of everybody having a public comment, et cetera, et cetera, but they don't have to come back to the Congress. It's already done as far as what the agreement says. And so this is where we are, and this is what would be important for you to probably put to any of the information that you want to put out and we'll get to, we'll supply all this to you.

José:

Let's talk about the Mexican American business owner whose ancestry is Mexican.

Albert:

Well, let me tell you what it means. For the first time in a trade agreement, there is a section for small and medium-sized businesses because in the past international trade has not been an area where very many, and from our side of the border, are Mexican American or Latino businesses. I mean, that's a whole different game. It's one thing to have a "taquería" (street tacos) or a restaurant or an automotive repair shop. We get talking about cross border trade. So, it's either going to be in services or it's going to be in other kinds of supply chain and would give rise to where the small or medium-sized businesses can play now. And it's just part of the actual treaty, you know, the USMCA agreement is that the supply chain is now very robust; when we did NAFTA, we didn't have that. It was just the big players.

José:

That is interesting. That's very encouraging to hear.

Albert:

Sure. Of course, it works. It works on both sides by the way.

José:

Okay, excellent. So we're doing the same thing for the small businesses in Mexico. That's good. So, the USMCA is distinct from the North American Free trade Agreement (NAFTA). And that alone is a big difference. And it sounds like the labor part of this is also a big difference.

Albert:

Yes, those are the two, three big differences right now that are still yet to be clarified. In regulations is the automotive that I just mentioned here, the 62.5% to 75% rules of origin, which is content. The other is the labor enforcement piece. And can the US push the Mexican labor market and the, and the companies in Mexico to do the same minimum wage that we have here in the U.S? The answer is no, Mexico is a sovereign nation so we can't tell their businesses what to do. And of course, what's happened is the Democrat Congress, lead with our unions here, have kind of got the Mexican labor unions moving in that direction, but nobody's going to pay that kind of money cause what's going to happen. For instance, we're trying to pull all as much as we can out of China back to what we call onshoring here in North America, US Mexico, Canada.

And so if China's minimum wage that they're paying out there is \$7, or about \$7.50 an hour. And we, meaning the US unions, are pushing for \$15 and you are a big manufacturer, that's double of what you can pay in China. That's why a lot of this went to China before. We want to pull it back. So there's a very specific problem that needs to be ironed out, and it will, it will not happen automatically. It may be phased in over five or six years. Now there's another piece to this. And they were going to try to sunset this agreement. Well, there was no way you sunset a treaty. So what they did is they can have a review process every six years. And that review process is, well, this is not working well, we need to change it.

Albert:

So that's something that was not in NAFTA either. And then you've got a whole other area that was not part of NAFTA, which was the internet was not functioning. So we didn't have a lot of digital trade, meaning finance, you know, moving back and forth. And then the supply chain was not as robust as it is now. Why? Because a lot of it was in China. So now that we're bringing it back and with this agreement, that's going to open it up and it'll open it up, not only from a securing of the supply chain, but it's also going to open it up for small, medium-sized business. So there are a lot of good things to this.

José:

Do you think that at some point in time this could move toward the direction where the North American countries have something like a Euro or a North American dollar?

Albert:

Well, you know, Mexico at one time had considered changing their peso to the dollar, but the Canadians aren't going to change their Canadian dollar, and you know, you bring up a very interesting point that has been discussed in the past. And you know, I never say never in this game, politically, because of a couple of things. One is NAFTA created between our three countries, the most financially economically strong and the biggest and best trading regime in the globe. Now that we've done this USMCA, it's even better and stronger. Now, you know, do we want to go to an EU? I don't think so. We don't have to, we've got, you know, don't forget what NAFTA was called. It was the North American Free Trade Agreement, that is free trade.

So we don't want to do what the Europeans do, which is when you look at the EU, it was, it's a customs union, which means each country has its deal until they went to the Euro, which now you've got Ireland, Scotland and Britain have pulled out because of the Brexit. And so it's a whole different game over there. I don't see that happening here. Now, would we go to one monetary system? That, Mexico is not ready for, for two reasons. One is right now, you've got a political regime that's too far left that doesn't play in that game, even for all the reasons that you can think about such as Mexico's pride. Mexico is not the largest, you know, they're not a G10 or G7, meaning one of the big governments, economically. So they are still a small player, which gives them the ability to even be in this arena with us, we are 80% of all their trade.

There's an old "*dicho*" (saying) that says when the U.S. sneezes, Mexico gets pneumonia and that's economics. Okay. So there's a lot of history. And with AMLO (Andrés Manuel López Obrador) and what he's doing now, he's put his country in the lowest economic position that I can remember. The last time they were this low they had a major deficit in their economy in what we called their reserves, which was about \$44 billion in negative, that was in 1994. And so when we did NAFTA, that gave the ability for George Bush in 1992 and Jim Baker, who was secretary of the treasury, to do what we call Brady Bonds and give Mexico the ability to come out of that slump. This guy has taken it back to where right now, Mexico and Wall Street and our rating agencies, you know, Standard & Poor's et cetera, Mexico, for lending purposes, for the world banks, it's considered junk bond. So that means you're not going to get the best interest rates. So why are you going to invest when you can go somewhere else and get better interest rates? So he's hurting, he's hurting his country. And there's a lot of angst right now going on down there.

So, and by the way, there was a reason why he came up, even though it was a short in and out one-day meeting. And that, and I get into a lot of the things I don't want to talk too negative, but you know, it was more of a safe, you know, a role for him to do and come up and deal with Trump. And of course, Trump needed something positive. And try to say that, you know, I'm helping Mexico. Well, yeah, we'll wait to see what that means. But anyway, so those were all the bits and pieces that a lot of people that, you know, I've been in this game for what, 40 years. So it's a lot, I've seen it grow all the way. And I was there with, with Reagan when we created that, we call it the North American Accord before it was NAFTA. And why, because Mexico was not ready. And so in 1986, we did US Canada free trade. And then we finally got Mexico in and it was when Carlos Salinas was president and he then saw the value and we put it together in 1992-1993.

José:

I remember when I met Vicente Fox at a luncheon in Sacramento. He talked about how in the economy in Mexico and they were replicating the economic systems to mirror the approach by Wall Street. And he was encouraging all the business community in California to invest in Mexico because, he said, Mexico's economic system, their financial system's integrity was the same one that we use here in America. They set up the same financial metrics to encourage investment in Mexico.

Albert:

Well, I'll give you some interesting tips is to if you ever look at his resume when he puts it out there, the official one, he puts down as vice president of the U.S. Mexico Chamber of Commerce. Yes, of course. He was one of us when he was at Coca Cola in Mexico.

José:

You've have been in the middle of all of this. So who was your big helper in the Trump administration to get the USMCA through?

Albert:

Well, it was the USTR, Lighthizer (Robert Emmet Lighthizer, U.S. Trade Representative). And the guy that made it happen, which was our chief negotiator for us is a guy named John Millie who has been there for 35 years. He worked with us getting NAFTA passed. See, José, a lot of what is going on? I know you'll get it quickly. There are not many guys walking around that were there when all this was happening at the beginning, we're talking 40 years. Think about who is in the White House now that was part of this, none of them. And from a Hispanic standpoint, none of us. We were there ahead of everybody because it was the right time and a lot of it came because of our relationships with Ronald Reagan. And so he's the one that believed in the free market approach between us and Mexico.

José:

Wow. That's pretty impressive. Well, this is significant, and Latino Journal would love to be a conduit when the hearings come up on the regulatory implications and there's a public comment period. We would love to encourage our network around the country to take a look at how this affects their businesses or their activities. We also do a lot with the energy sector. We want to make sure our community takes full advantage of this incredible opportunity. This ties the economic interest of the three North American countries, which then have implications on language, on culture, investments, workforce and education. There is so much potential for prosperity, this is important.

Albert:

Well, just stop to think about it when we did NAFTA in 1992 to 1994, Mexico trading with us has grown four-fold. I mean, when you look at the total trade of NAFTA between us, Mexico and Canada, you're talking almost a trillion dollars now. And when we did it in those days, I mean, it was barely a couple hundred billion. So it's quadrupled to almost five times. So there's a lot of positive things. I had to bite my tongue when I heard Navarro the, what do you call it? Trump's guru on trade kept saying NAFTA is a shafta. Are you kidding me? What he should have been saying, we should never have let China in the

WTO. The minute they got to the WTO in 2000 and George W. Bush was the one that kind of let them in, I guess what the rest is history. I mean, we help them grow their country to where they, you know, they rival us now, but that's why I do agree with what Trump has done by going on a bilateral versus multilateral and stepping away from the world trade organization to were letting them set the stage. So to speak where we, the West is dealing directly with China with countries, which gives us a lot stronger negotiating position. So anyway, that's it.

José:

Great information. And, you know, as I said, we want to be able to be there with you when you go through this process and try to encourage them to go through the public participation process.

Albert:

And we'll include you. Some people are not part of the chamber that I include in part of the working group so that you can understand what's going on, and then you can write it up and put it out there. I'm not sitting here trying to keep everything close to my vest. This is about trying to make this thing work. And right now in the next 18 months is going to be critical because forget the next six months, because it's all politics after the first of the year, then we're going to get serious and woken up with, you know, for the next and whoever the next president is, let's assume that Trump doesn't win. Okay. If he doesn't win, all bets are off because all of a sudden, now you got a Democrat president and you've got a Democrat Congress and more, excuse me, more than likely the Senate will stay Republican.

So you're in a situation that's going to be interesting. And that means a lot of the regulatory, especially on the labor side is going to be really, it's going to have a lot of hair on it to jockey on the automotive. It's pretty well. You know, it is what it is. There's just a lot of things that need to be worked out. If Trump gets reelected, it'll continue moving that way. But the real game is not going to be Mexico. It's going to be in China. So that's where the real, the real, you know, stare down, is going to occur because China's got its problems, but at the end of the day, you know, we had not let them enter the WTO. Then I will guarantee you that they would not be in a position where they're challenging us and not just on the economic sense, they're trying to build up their Navy. And they're trying to control them, not just the South China sea, but the whole Asia Pacific so that they have, because right now they're not well-liked by Japan, Korea, Singapore, the Philippines. I mean, Australia doesn't want them around because they understand how the Chinese play. So it's kind of interesting. So there you go.

José:

Well, that's fascinating, you know, again, I commend your leadership. This will be a very interesting story to share with our readers.

Albert:

Well, you know what he'll say? I think you're now getting to know, I don't talk about a lot of things that I've been into. We just do it. And so at the end of the day, and we're not done. So, you know, this is a great chance for you to get in here and find out how this thing is going to work. And you obviously, you can be a real help us because you know, I'm not in the promotional game, I'm in the game of trying to make these things work for my members in the private sector between the countries. So, yeah, the story is yet to be written.

José:

Thanks so much, Al. We sincerely appreciate you the opportunity to speak with you about the North American Trade agreements. Our wish for your continued success.