

# THE HERITAGE LECTURES

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Mexican Trade in  
the Midwest

*By Governor Tommy Thompson*



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# Mexican Trade in the Midwest

By Governor Tommy Thompson

I am here today to speak on behalf of governors. The governors of this country—Republicans and Democrats alike—overwhelmingly support the North American Free Trade Agreement— forty out of fifty in a poll done by The Heritage Foundation.

Why? Because the NAFTA is good for state economies. And strong state economies will mean a strong United States economy.

Midwestern governors support the NAFTA because it is good for our diverse economies— economies that rely on manufacturing, agriculture, services, and technology.

As governor of the state of Wisconsin, my number one priority is to keep our economy strong and growing. A strong economy means jobs, and good jobs mean a state is healthy, stable, and growing.

I am also here to speak for workers and consumers in Wisconsin who stand to benefit from free trade with Mexico. Joining me today are Rick Spees from Johnson Controls, Carlos Rioja from Oshkosh Truck, Jim Leonhart from AT&T Wisconsin, Mark Yunker from Yunker Plastics in Lake Geneva, and Steve Lotharius from Graeber Industries in Middleton.

I support the NAFTA because the NAFTA means more jobs for Wisconsin. The NAFTA means more jobs for the Midwest, and the NAFTA the means more jobs for the entire United States.

I speak from experience.

Wisconsin's economy is strong. We have outpaced the nation for years now, and international trade has played a very important role in that.

- ◆ Last year Wisconsin set a record, exporting almost \$7 billion worth of goods around the world. That was a 13.4 percent increase, more than twice the national increase of 6.1 percent. And when you think about the fact that every \$1 billion in trade translates into 22,000 jobs at home, \$7 billion in trade has a huge impact on Wisconsin's economy.
- ◆ Our exports for the first quarter of 1993 were up 6.4 percent compared to a national increase of 2.7 percent.
- ◆ Total exports during the first quarter were \$1.67 billion compared to \$1.57 billion the year before.
- ◆ And we saw a big increase in exports to Canada and Mexico. Exports to Canada were up 16 percent to \$599 million for the quarter, and exports to Mexico—after I led a December trade mission down there—were up 26 percent to \$75 million.

Taken together, the economic impact of trade with Canada and Mexico in Wisconsin is considerable.

- ◆ Wisconsin exports to Mexico totaled \$250 million in 1992. Exports to Canada totaled \$2.05 billion.

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Tommy Thompson is the governor of Wisconsin.

He spoke at a Capitol Hill trade show sponsored by The Heritage Foundation on July 28, 1993.

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- ◆ Canada is our number one export market. Mexico is our seventh largest market, and growing.
- ◆ Together, exports to Canada and Mexico translate into almost 60,000 jobs in Wisconsin. And these export-related jobs are good jobs—among the highest paying jobs in the state.

Knocking down trade barriers works. We know because Wisconsin has already benefitted from the U.S.-Canada Free Trade Agreement. Since 1987—when that agreement was implemented—Wisconsin exports to Canada have increased from \$1.4 billion to over \$2 billion—a 43 percent increase.

Exports to Mexico have also grown over the past few years—from \$83 million in 1988 to \$250 million last year. That's more than a 200 percent increase. In one year alone, exports to Mexico jumped 83 percent!

The NAFTA will only increase investment and job opportunities in Wisconsin. What governor wouldn't support something like that?

Our export market to Canada—as I have already stated—is very strong, and we are continually working to make it even stronger. Where Wisconsin stands to make the most from the NAFTA is from increased trade opportunities from Mexico. That's why I have led two trade missions to Mexico: one in 1989 and another last December. In the five short days of the last mission, Wisconsin companies were able to lay the groundwork for promising business deals in everything from milking and farm equipment to Christmas trees.

In fact, a recent survey of some of those found that they plan to do \$45 million to \$55 million of new business in Mexico this calendar year, and that's a very conservative estimate.



You know, the most often used argument against the NAFTA is a myth.

The NAFTA will not mean losing American jobs to Mexico. Labor down there is already cheaper than it is here at home, and there is absolutely nothing now that prevents U.S. companies from moving to Mexico. Businesses can go anywhere in the world today for cheap labor, but they don't. If labor costs were all that mattered, businesses would be relocating to Haiti and Bangladesh. The NAFTA is not about moving jobs. The NAFTA is about removing tariffs and trade barriers.

Right now, Mexican trade barriers add about 10 percent to the cost of doing business in Wisconsin and the Midwest. Midwestern companies that export to Mexico face higher costs because of restrictions against our exports to Mexico.

The NAFTA will remove the incentive for businesses to move to Mexico in order to avoid Mexican duties. Removing those barriers will automatically reduce the cost of exporting to Mexico. Removing those barriers will increase exports to Mexico. Removing those barriers will create jobs in the U.S. and removing those barriers will mean a stronger U.S. economy.

U.S. products are in demand down in Mexico. And the workers with the skills and training to make those products are here at home, not south of the border.

The NAFTA also gives U.S. companies a competitive advantage. It eliminates Mexican tariffs for American companies, but leaves them in place for our European and Asian competitors.

Reduction of trade barriers under the NAFTA will greatly benefit Wisconsin's leading export industries.

- ◆ The NAFTA will eliminate tariffs for industrial machinery and computers on the day it is enacted. These industries exported \$106 million to Mexico last year.
- ◆ The NAFTA will eliminate import licenses and tariffs as high as 20 percent in scientific and measuring instruments, which saw \$23 million in 1992 exports to Mexico.
- ◆ Tariffs will be immediately reduced 10 percent to 20 percent on food products—good news for Midwestern farmers.
- ◆ The same is true for electronic equipment, paper products, and transportation equipment. All of these industries stand to gain from the NAFTA.

And look what the NAFTA will mean to the Wisconsin companies who are here with me today:

- ◆ Oshkosh Truck accompanied me on my 1989 trade mission to Mexico and were able to secure a contract worth approximately \$1.2 million. They also recently have completed a joint venture in Mexico. Think of the opportunities they could take advantage of without trade barriers between our two countries.
- ◆ Graeber Industries has seen sales of its window coverings and other products to Mexico double in the last year. The year before that sales quadrupled! The NAFTA would mean Graeber could be even more competitive with their European and Asian competitors in the Mexican marketplace.
- ◆ Johnson Controls is Wisconsin's largest public corporation. It manufactures building controls, automotive seating, batteries, and plastic bottles—all products that are in great demand in Mexico. It has in fact just purchased a Mexican company in anticipation of the NAFTA being approved.
- ◆ There is great demand and great need in Mexico for telecommunications technology. AT&T has the technology. The NAFTA means tremendous opportunities for the U.S. telecommunications industry.
- ◆ Yunker plastics faces a 10 percent to 15 percent tariff on their products in Mexico right now. The NAFTA would certainly cut this, if not get rid of it completely, making Yunker a top competitor for Mexico's aquaculture and agricultural markets.

Every single one of these businesses will benefit from the NAFTA. As far as I'm concerned, increased opportunities for Wisconsin businesses translates into one thing: more jobs for Wisconsin.

And, as I said before, these are high-paying jobs. For example, in 1991 the average hourly wage for workers in industrial machinery and computers was \$12.88; for workers in publishing and printing, \$12.07; and for workers in transportation equipment, \$15.14.



In sum, the NAFTA will mean expanding U.S. imports. The NAFTA will mean increased demand for U.S. products abroad. The NAFTA will mean increased business opportunities for U.S. companies. And the NAFTA will mean creating U.S. jobs.

That sounds like a pretty good economic plan to me.

The Clinton Administration supports the NAFTA. That's what they say, at least. President Clinton says he supports it. His Labor Secretary, Robert Reich, said in a speech last week that he supports it. But what we hear coming out of the Clinton Administration is hardly a ringing endorsement. I think the President should get out there and sell the NAFTA as hard as he is trying to sell his budget package.

I know he thinks his budget package is the key to getting our economy moving again. I happen to disagree. And I know from experience that raising taxes hurts business and destroys jobs.

Free trade is the answer. And I know from experience that boosting international trade increases business opportunities and creates jobs. It worked in Wisconsin. It will work in America. And the NAFTA is the way to do it.