

will work through new initiatives to expand U.S.-Mexico labor cooperation.

Thus, our efforts toward economic integration will be complemented by expanded programs of cooperation on labor and the environment. The catalyst for these efforts is the promise of economic growth that a NAFTA can provide, and the key to these efforts is the extension of unencumbered fast track procedures.

There are great challenges ahead. The world is changing dramatically, as nations move toward democracy and free markets. The United States must continue to open new markets and lead in technological inno-

vation, confident that America can and will prevail in this new and emerging world. By working together, we can negotiate good trade agreements that assure a strong and healthy America as we prepare to meet the challenges of the next century.

Sincerely,

GEORGE BUSH

Note: Identical letters were sent to Lloyd Bentsen, chairman of the Senate Finance Committee; Richard A. Gephardt, House majority leader; and Dan Rostenkowski, chairman of the House Ways and Means Committee.

Remarks and a Question-and-Answer Session at a Meeting of the Society of Business Editors and Writers

May 1, 1991

The President. Thank you, Jim. And let me say I'm very pleased to be here. And I was greeted out here by Sandy Duerr, the president. She seemed unfazed by her responsibilities of this awesome group. And I want you to know that we presidents must stick together—where is she? [Laughter] Randy Smith, and Susan Thomson.

No, but it is a pleasure, and I appreciate what Jim said there because financial reporting, financial news, is very important. It isn't always front-page. Look at D1 or E-something or other. But it is fundamental, and it's timely. And I'm very pleased that you invited me here.

I've been looking forward to finding a good forum to talk about an issue of importance to all Americans: economic growth in America. And this is a good one for just that, so that's what I want to do with you today.

At the outset, I am, of course, very pleased that two major banks today, following yesterday's action by the Fed, dropped the prime rate of interest by half a point, down to 8.5 percent. I think that's going to be very good for the economy of the United States of America.

While experts disagree about the length

and depth of the recession, we must commit ourselves to policies that will promote growth and prosperity into the next century. This administration's economic growth package, including our urgent request to extend Fast Track trade procedures, can do just that. It can set us on a path toward long-term, market-driven economic growth.

Our administration's growth package begins with control of Federal spending. You all know and I know how controversial last fall's budget agreement was, that bipartisan budget agreement. But what it did do with establishing these caps is to finally put the Federal Government on a pay-as-you-go diet. It cut the growth of Federal debt over the next 5 years by nearly \$500 billion. That extra capital—that extra capital can help generate new jobs.

To increase private savings and investment, we've proposed tax-free family savings accounts, penalty-free withdrawals from IRA's for the first-time buyers. We've proposed cutting the tax on long-term capital gains. That would reduce the Tax Code's bias in favor of debt, expand incentives to invest, give hope to the small guy, the little guy, the small entrepreneur with the big idea. Indeed, it would reinvigorate

the American dream.

We also want to redouble our efforts on the problem of excessive regulation. We all know the strangling effect that red tape and overregulation can have on businesses. Every time we write new laws, though, the laws require new regulations. Some of these regulations are needed, and frankly, some are not. We want to free our people from unnecessary regulations.

The Council on Competitiveness, chaired by the Vice President, reviews all major new government regulations to ensure that the regulatory benefits outweigh the burdens imposed on the economy. The Council will look carefully at everything from the new clean air regulations to ways of approving new biotechnology products. We should not deny the people the benefits that come from products that improve or even save lives.

I headed the Task Force on Regulatory Reform for President Reagan. And I recognize, having done that, that there are legitimate need for regulations. But I am worried about this, and I want to be sure—assure you, the financial writers of this country, that we are going to do everything that we can to have sensible handling of regulations. I don't like it when I see more and more pages in the Federal Register devoted to regulations. So, yes, we'll do what's right by spelling out regulations for the clean air bill or the new child-care bill, all of which are important, but I do not want to see us overregulate the people or the economy of this country.

We've also sent up to the Hill—some of you know this, I'm sure—a financial industry reform bill. This is a comprehensive package, and it will put our financial services system on a sound footing and modernize our outdated banking laws. We've proposed reforming the McFadden Act. This means letting financial institutions compete across State lines. Reforming Glass-Steagale—this would let banks offer a broader range of financial services to its customers and in the process, to compete more effectively in international markets. And then, reforming deposit insurance—return it to its original purpose, which was to protect the average depositor.

Next point, strengthening bank super-

vision, so that we might be able to intervene before banks fail. We've proposed a new way of regulating. It's simpler, and I think it will be more effective.

It's time we brought this banking system of ours into the 21st century so that our banks can fuel economic growth. But in order to do that, we need comprehensive reform, not just a quick and narrow fix. And I'm going to work very hard with the Congress to try to get our proposals passed.

These forward-looking proposals are only one part, then, of our vision for a strong and vibrant American economy. Our request to extend Fast Track procedures looks beyond our borders—right to the heart of the international market.

In recent years, trade has kept our economy growing. Export business accounted for 84 percent—84 percent—of our economic growth last year. That's nothing new. Merchandise exports have risen 73 percent in the last 4 years—more than twice the rate of import growth.

Recent, unparalleled growth in world trade has produced huge benefits for us. Our free trade agreement with Canada has opened up previously closed agricultural markets. I wanted to check my figures on the helicopter coming back from Maryland this morning. Just now, I called our Secretary of Agriculture, and he told me that our agricultural exports to Canada increased 35 percent over the last 2 years because of this agreement. And we expect the growth to intensify as the agreement takes full effect.

You go back and look at the legislative history—or the free trade agreement history, and you'll find many who were predicting a far gloomier outlook.

Our trade strategy is simple: We want to build on the success of the Canadian FTA. The United States will continue to lead the world toward a system of free trade and open markets. That system makes American genius available to the whole world—and give Americans access to the good ideas and good products from abroad. Trade means economic growth. Trade means jobs for all Americans.

That's why extension of our Fast Track procedures in these trade negotiations is absolutely critical. Fast Track lets us open up

new markets and new opportunities.

Fast Track really is another term for "good faith." It means that we will consult closely with the Congress. Congress has some constitutional responsibilities here. We have been and we will consult closely with Congress, and also the private sector during these trade talks. It means that we will not tinker with trade agreements worked out by our negotiators and their foreign counterparts.

It gives everyone a fair say in trade talks. It does not take away Congress' power to have the final say, to review these trade agreements. Congress will have its say. It will have a final vote on accepting or rejecting agreements as written, and it will conduct that vote within a reasonable period of time.

It gives the American people a fair say. We will take all the time necessary to address the issues that concern Americans. And there are some issues that concern Americans, and we have to have good answers for those questions, and I believe we do.

Fast Track lets us treat our foreign counterparts fairly. It promises that we will not attach amendments or make changes, since to do so could force negotiators to call off talks or start again from square one.

Our trading partners consider Fast Track an essential ingredient for successful trade talks. We've had Fast Track authority since 1974, and we will need it. And we need to keep it if we hope to pursue these vital trade agreements—the Uruguay round of the GATT talks, the North American free trade agreement, and of course, the Enterprise for the Americas Initiative. Without Fast Track, very candidly, we jeopardize those agreements. And we jeopardize trade. And we jeopardize American jobs.

Right now, we have the chance to look forward, to expand economic growth, to expand opportunity from the Yukon to the Yucatan. The North American free trade agreement with Canada, our largest trading partner, and Mexico, our third-largest trading partner, would create the largest, richest market in the entire world. Think about it—360 million consumers and \$6 trillion in annual output.

A unified North American market would

let each of our countries build on our strengths. It would provide more and better jobs for U.S. workers. It would stimulate price competition, lower consumer prices, improve product quality. The agreement would make necessities such as food and clothing more affordable and more available to our poorest citizens. It would raise productivity and produce a higher standard of living throughout the world. And the resulting economic integration will strengthen American businesses in the global marketplace.

Let me just try to illustrate the stakes that are involved in the Fast Track debate by discussing the Mexican component of the North American free trade agreement. Trade with Mexico has helped both our countries. Just 4 years ago, we had a \$4.9 billion trade deficit with Mexico. And since then, Mexico's President Carlos Salinas has slashed tariff rates. He came in determined to shake things up in Mexico and he's done a great job at that. He slashed the tariff rates. Our exports to Mexico have increased nearly 130 percent to \$28 billion, and our trade deficit has shrunk two-thirds to \$1.8 billion.

This export boom has created an estimated 264,000 new jobs in the United States. And each additional billion dollars in exports creates nearly 20,000 new jobs here in the United States. And meanwhile, the trade boom has offered new opportunities for Mexican workers. It's offered prosperity to those who before had lived in squalor.

Some people are concerned about these negotiations with Mexico. And just this morning—in the spirit of working closely with Congress, which I am determined to continue—we sent a detailed report to Chairman Lloyd Bentsen of the Senate Finance Committee; to Congressman Dan Rostenkowski, the chairman of the Ways and Means Committee; and to the majority leader, Richard Gephardt, who, incidentally, has just come back from Mexico. And I believe that this letter and our report responded to the concerns, the understandable concerns, that they have raised. I gave them my personal commitment to close bipartisan cooperation in the negotiations.

While economic studies show that a free

trade agreement would produce jobs in the United States as well as greater exports and output, I know that there's a concern—not just on Capitol Hill but in many of the labor halls around this country—about job loss. And our negotiators will address these concerns in provisions of the North American free trade agreement. We will ensure an adequate transition period for workers in import-sensitive industries. We will work with Congress to see that dislocated workers receive proper assistance and retraining. I believe we have the answers to the questions that are being raised by the labor unions and by some on Capitol Hill.

At the same time, it is worth noting that the agreement will create high-wage, high-skill manufacturing jobs in the machinery, computer, telecommunications, and electronic industries. As Mexico develops further, it will need even more of these high-tech goods and services. Those goods and services are more likely to come from the United States than from anyone else in the world.

And secondly, President Salinas and the Mexican people have no interest in allowing their country to become a pollution haven for U.S. companies. Because economic growth goes hand-in-hand with environmental protection, we will expand environmental cooperation programs parallel to the free trade talks. I can assure you, having dealt with him and talked to him quite recently in Houston, Texas, on this very problem, that President Salinas is deeply concerned about the problems facing the environment. He has already ordered shut down the major pollution refinery, the PEMEX refinery, in Mexico. And that is strong evidence of his good faith because he had to take on some very powerful people to make that happen.

I will share with you a story that maybe some of you heard me refer to before, but it made a real impact on me when we were talking about the environment. And he says that when the schoolchildren around Mexico City, where they have that high smog content—when the schoolchildren paint the sky, they don't show the stars. They paint it gray or black. And they can't see the stars. And he said, "My ambition is that these young children in Mexico will paint

in the stars." And I think that says, as emotionally as I could possibly say it, something about this man's commitment to doing something about the environment.

And so we are concerned, but we believe that the environmental cooperation programs that we have in mind and that we've discussed with him can satisfy anybody who's reasonable on this question.

And finally, President Salinas has also made it clear that this agreement will improve opportunities for Mexican working people. Mexico has strong laws regulating labor standards and workers' rights. Beyond those, we will also begin new initiatives to expand labor cooperation between our two countries.

None of these things will happen, though—none of this can happen if we cannot bargain in good faith. If the Fast Track procedures that we have employed for 17 years—Republican and Democrat administrations alike—suddenly are withdrawn or weakened, the United States must continue to open new markets, create new technologies, and seize new opportunities before us. I am confident, and so are the American people, that we can and will prevail in this exciting and challenging world. And I am confident that as we head into the next century—the next American century—a strong and healthy America will lead the way.

Thank you all very much for listening and having me over to this most prestigious forum. I'm delighted to have been here. Thank you all.

Moderator. Thank you, Mr. President. We understand you'll take a couple of questions.

The President. That's his understanding, not exactly mine, but go ahead. [*Laughter*]

Japanese Trade With Mexico

Q. As you know, the Japanese do a lot of low-cost manufacturing in Japanese assembly plants in the maquiladora system right now. Have the Japanese expressed any concerns that the U.S.-Mexico trade agreement might cut them off from Mexico and—

The President. I've talked trade with Prime Minister Toshiki Kaifu, and it did not come up in our discussions. But whether

that's been represented to our trade negotiators, to Ambassador Hills, or others, I simply don't know the answer to your question. I'm sorry. They shouldn't be worried about it. I mean, there will be new factories, new markets, new products. I mean, I don't think they should worry about that.

Fast Track Authority Extension

Q. In addition to the concerns about the environment and displaced workers, a lot of small manufacturing companies in this country who are suppliers to big assemblers are concerned. What advice have you sought and obtained from such companies in devising your strategy for dealing with Congress towards the Fast Track approval?

The President. I don't know about individual companies, but our dealing with the trade organizations has gotten strong support from the small business groups—National Federation of Independent Businesses, and other groups as well. And so our dealings, at least the White House dealings, have mainly been with these organizations that represent the smaller businesses. But perhaps our trade negotiators themselves have been in touch with individuals. I just don't know. I know when we were in Mexico we met with some Mexican business people and American business people. Some of them were very large businesses, but there were some small businesses involved there, and we got their input. But whether there's a concerted effort to approach all these companies, I'd have to leave that to the Departments to give you the answer.

Mexico-U.S. Relations

Q. Mr. President, critics of the proposed free trade agreement with Mexico have cited their concerns over environment, labor laws, and possible job losses in this country—all of which you have addressed today and responded to. I think there may be an area that's sort of been given short shrift. Every year \$1 billion-worth of stolen cars, trucks, and airplanes are transported to Mexico. Yet Mexican officials are doing nothing to stop this illegal trafficking and may, in fact, be thwarting efforts to stop it. Don't you think it may be a little inconsistent for this country to further open its

borders with Mexico while such chronic and basic law enforcement problems exist and aren't being dealt with?

The President. No, I don't think so. I think that problems like this, problems of illegal drugs, that you could have mentioned and didn't, that are coming across the border that concern our citizens need to be solved. There's no question about it. But I think a more prosperous Mexico and a more prosperous border on the United States side would be one antidote—would be one thing that would be helpful.

But, look, we have got to enforce existing laws. We have got to do better in terms of interdiction. And I think we are. And one of the reasons we are doing better is that in this administration under President Salinas we are getting—I think most of our law enforcement people would tell you—superb cooperation.

Now, having lived in Texas, why, I know that it's not—we face some of the same problems along our border that Arizona does. And so I would say that they ought not to use the existing problems to hold up—problems of crime going across borders, or border brutality, or drugs coming in—to hold up an important trade agreement.

And if, indeed, this does benefit the people of Mexico, and if you then have a little higher standard of living along the Mexican side of the Mexican border, I would argue with my critics that this would be a sure-fire way to reduce illegal exit or crime or whatever.

That's the way I'd respond to it. But I don't want you to think from the answer that we are unconcerned about the violations of the law.

Last one. Here we go.

The Economy

Q. You have fought very hard to lower the interest rate as a way to stimulate the economy. Yet two million more people are unemployed this year than last year. And the construction industry is not doing any work at all. People can't borrow money because they're overextending from their small savings already. How can just dropping the interest rate get us out of a recess-

sion if—

The President. In the first place, I think we're going to be coming out of the recession, particularly with this drop in interest rates. So, I would argue with the people that disagree that we will. Most of the indicators—I think most of the economists, most of the blue-chip forecasters agree with what I've just said.

Secondly, I think dropping interest rates is the best way to stimulate economic growth and to create new jobs and new opportunity. Remind me what was the predicate again—that two million—

Q. The fact that two million more people are unemployed—we can't seem to stimulate the economy no matter what the industries are. And people are already too heavily in debt in this country.

The President. New jobs is the answer, isn't it, then, to those that don't have a job. And the way you get new jobs is you go for a growth agenda like I tried to answer here today. And we will come out of this recession, which isn't, fortunately, as deep as some in the past, and when we do come out of it you're going to see growth. And growth is going to create new jobs. And that two million or whatever the figure is will decline. I'm absolutely convinced of it. That's what's happened in every other recession.

And so the unemployment figures—anytime it's—my view is—they always ask me, what's acceptable unemployment? For the guy who doesn't have a job, nothing. No percentage is acceptable. I will say, historically, the unemployment figures have been a lot worse in this country. And when the recessions that they were part of ended, people went back to work in large numbers.

So, I think the best answer for hope for the people that are unemployed lies in economic growth, new opportunities.

Q. When do you predict the end of the recession?

The President. I can't give you an exact time. But would you settle for a general "sooner rather than later"? [*Laughter*] Because it's going to—wait until you see the effect of these rates. I mean, I don't really know the answer to your question. And if I did, I wouldn't tell you because the last thing a President needs to be doing is predicting interest rate levels or levels of where the stock market ought to be, or something of this—I just couldn't get into it. But I do—I believe, as do most of the forecasters, that the recession will not be a long and deep recession. And I think I'd go with the average of the blue-chip forecasters who seem to indicate that we'll be out of it fairly soon. But I've got to stop short of a definitive date.

Thank you all very, very much.

Note: The President spoke at 12:07 p.m. in the Ballroom at the Washington Marriott Hotel. In his remarks, he referred to Jim Kennedy, Sandy Duerr, Randy Smith, and Susan Thomas, secretary, president, vice president, and former president of the Society of Business Editors and Writers; Vice President Dan Quayle, Chairman of the Council on Competitiveness; Secretary of Agriculture Edward Madigan; President Carlos Salinas de Gortari of Mexico; Senator Lloyd Bentsen; Representatives Dan Rostenkowski and Richard A. Gephardt; Prime Minister Toshiki Kaifu of Japan; and U.S. Trade Representative Carla A. Hills.

Remarks at a White House Briefing on Fast Track Authority Extension

May 1, 1991

The President. Thank you all very much. Please be seated. A thousand apologies for keeping you all waiting, but you had the most knowledgeable Fast Track authority

in the country doing the heavy lifting here. Carla, thank you.

But first, thank you all for coming here. I know I've talked to some of you in this