DR. MOHATAREM: Thank you.

General Motors and I welcome the opportunity to appear before this esteemed panel to present some views of GM on trade policy issues, including the impacts of the North American Free Trade Agreement on our investment.

GM was an early and strong supporter of NAFTA. The U.S. auto industry has long benefited from free trade with Canada, but prior to NAFTA, Mexico's market was effectively closed to exports of autos from the U.S. NAFTA offered GM and other auto companies the opportunity to completely integrate their North American operations.

As the largest auto company in NAFTA region, GM hoped to benefit from both stronger demand and the opportunity to lower costs through rationalization of regional operations. As a global corporation, GM has much at stake in the ability to move goods, services, information, and personnel quickly, safely, and cost effectively across national borders.

Not only are key markets for GM emerging in locations outside of our traditional bases in North America and Western Europe, but the critical success factor in our industry today has become the ability to effectively integrate operations around the world into a seamless enterprise.

In addition, study after study demonstrates that open trade provides a powerful stimulus to economic growth, improve living standards and innovation that drive our industry and demand for our products.  Because of these considerations, GM has consistently supported more open trade, and this includes the U.S.-Canada Free Trade Agreement, the Uruguay Round of the GATT and the North American Free Trade Agreement.

While the benefits of more open trade are widely acknowledged, trade, as we saw in Seattle, continues to generate controversy.  In the U.S. political context, NAFTA perhaps crystallized all the forces on trade.  During the debate that preceded the congressional approval of NAFTA in '93, many opponents argued that it would destroy the U.S. auto industry, shrink U.S. auto employment, and depress wages, yet the results have been just the opposite.

A recent article in the Detroit News called the period since NAFTA's passage a new golden age for the U.S. auto industry. No matter which metric one chooses, times have never been better for the U.S. auto industry. Sales are booming. U.S. sales in 1999 set an all-time record of 17.4 million cars and trucks. Indeed, annual vehicle sales have exceeded 15-million unit mark, which we consider excellent, every year since 1994.

And I should add that in 1999 sales established a new record in Mexico and they were the second highest on record in Canada. In terms of auto production, '99 established new records in all three NAFTA economies, and most important, U.S. auto employment has increased by 20 percent since 1993, representing 164,000 new jobs in auto and auto parts industries. In contrast, jobs in the total U.S. manufacturing sector have increased by just 2 percent during this period.

Not only have jobs increased, but auto wages are up 15 percent and auto wages tend to be roughly a third higher than the average for all manufacturing.

Profits are healthy. GM reported record profits for '99. I anticipate Ford, and Daimler-Chrysler will also report record profits.

In the '80s and '90s it was popular to speculate about the demise of the U.S. auto industry. Pundits predicted the U.S. auto industry was in its death throes and that the Japanese automakers would dominate the world, yet these forecasters seriously underestimated the capacity of U.S. industry to survive, to adapt, build new relationships, and to create new paradigms.

Rather than fall to the Japanese threat, the U.S. auto industry learned how to work smarter, leaner, and to refocus its energies on the customer. And key to this evolution was the understanding that continuing success meant the ability to transcend local borders to be a world competitor capable of standing up to and meeting the challenge from global competitors.

In GM's case, we worked hard to build a single global company.  Today GM is expanding operations around the world.  We have new state of the art plants in Poland, China, Thailand, Brazil, and Argentina, and recently announced plans to build a major new plant in Michigan.

Interestingly in '99, we also increased our equity participation in three Japanese companies, Isuzu, Suzuki, and Subaru, and watched our competitors pursue similar strategies.  For those who went to sleep in the '80s might find it of interest that it's the non-Japanese companies that are taking over the Japanese auto companies, rather than the prediction at that time.

Clearly the auto industry is doing well, and that is good news for our millions of stakeholders, customers, stock holders, employees, dealers, suppliers in the communities where we operate and live, yet NAFTA opponents remain unconvinced.  The biggest fear among NAFTA opponents was that there would be massive dislocation of work from the U.S. to Mexico, where labor rates are lower, but this concern ignored the reality that the high level of U.S. productivity offset Mexico's labor cost advantage in many areas.

In addition, factors such as location, proximity to suppliers, and key services, transportation costs, and other factors are important elements in the investment decision.

Now, it's true that since the beginning of NAFTA, the Labor Department has certified roughly 260,000 workers as being displaced by NAFTA. As we all recognize, the Labor Department is using a very liberal standard to certify whether workers are being displaced by NAFTA -- I don't want to go into that in my remarks, but I can certainly address that in questions.

Interestingly, of these 260,000 workers, only 17,000 were in the transportation equipment industries, which includes not only motor vehicle and equipment workers, but workers in the aircraft, railroad, and other industries. Moreover, a much smaller number of eligible workers has actually received trade adjustment assistance under the provisions of NAFTA because of the tight labor market which allows workers to quickly find new jobs.

The U.S. private sector is certainly benefiting from the longest peacetime expansion in U.S. history, as the overall unemployment rate has dropped 2 full percentage points since '93. Furthermore, with an open market-based economy, we have seen job turnover actually declining.

Now, contrast the 260,000 that the Labor Department has certified in the entire period since '94 as being displaced by NAFTA to the roughly 300,000 workers that are displaced every week in the normal course of business. In fact, when that number drops below 300,000, bells go off because of concerns that it might be inflationary.

There's also the issue of trade deficit, which this Commission is addressing, and as we heard, the trade deficit with Mexico has increased since NAFTA, as has the trade deficit with Canada. There was some question earlier in the early panel discussion as to whether that was good for the U.S. or how could it be good for the U.S. and Mexico? The answer is quite simple, and let me give the example of GM.

When the Mexican crisis hit -- the peso crisis in '85, our sales in Mexico dropped by 40 percent. The production capacity we had in Mexico would have sat idle if we had not responded with higher exports from Mexico. Fortunately for us, the U.S. market demand was exceptionally strong, as was demand in Canada, and we were able to increase exports from Mexico to the U.S. and Canada, as well as to find new markets in the Middle East and in the Caribbean for Mexican production.

Those exports allowed us to maintain our employment level in Mexico; in fact, added to that employment level, and that's how the Mexican economy benefited from our exports, which, unfortunately or fortunately, did result in a trade deficit for the U.S., but because of the strength of the U.S. economy -- the strength of vehicle demand, that extra supply from Mexico was readily absorbed in the U.S. market.

Now, the one thing that I would like you to focus on is the fact that prior to NAFTA, the Mexican market was closed to exports from the U.S. In '93, the year before NAFTA, GM's total vehicle exports to Mexico amounted to 1,600 units. Despite the crisis in Mexico, the peso crisis, our exports have climbed substantially. In '99, we anticipate that we will sell 52,000 units exported from the U.S. to Mexico. That may not seem like a big number, but that is roughly 30 percent of our sales in Mexico.

In contrast, we do import from Mexico into the U.S. and Canada, but because of the differences in size and markets, those imports account for less than 1 percent of our U.S. vehicle sales.

So NAFTA has been of substantial benefit to companies such as General Motors that have very strong markets in all three NAFTA economies. Because of the tariff preferences available under NAFTA, we can shift production sourcing as well as sales, depending on where the market demand is strongest.

And I anticipate, as we further integrate our operations between the U.S. and Mexico, that those opportunities will increase, and indeed we're looking forward to this year and next when we anticipate that the Mexican market will be growing much more strongly than the U.S. market, and therefore, creating more export opportunities for the U.S.

Let me close by saying that from our perspective and from the perspective of Michigan, NAFTA has been a complete plus, and you're hard-pressed to find any evidence of a negative impact from NAFTA in Michigan, but you can certainly find a lot of evidence to support the view that NAFTA has had a positive effect.

I would like to leave for the Commission a study by the Center for Strategic and International Studies, which looked at the impact on auto industries, and also a study by an independent foundation, the Mackinaw Center, a study of the impact of NAFTA on Michigan.

Before closing I would like to address a question that was raised about the GM program to build housing in Mexico. That had nothing to do with taxes. That had everything to do on the part of GM to build housing so we could retain our workers in Mexico. So to the extent that it was self-serving, it was -- we wanted to retain the workers on whom we had invested considerable sums to train and work in our factories so they would not be poached.

Yes, Mexico does have a tax that they levy based on payroll, which is intended to build housing. We were not satisfied that money was being adequately used to provide housing. We negotiated -- and those are delicate negotiations -- with the government of Mexico so that we could use the money that we would have paid in the tax plus additional sums from GM to build that housing, and we're very proud of that.

Thank you.

COMMISSIONER HILLS: Thank you, Dr. Mohatarem. We very much appreciate your comments.

Now, let me call on Mr. MacGregor. Thank you for being with us. We look forward to your comments.