

COMMISSIONER HILLS: Thank you very much, and I want to express appreciation to all four of our panelists for outstanding statements. We'll turn now to the questions from the Commissioners and let me start with Commissioner Angell.

COMMISSIONER ANGELL: I have one major question, and Mr. Stewart or others can respond as you desire.

When I look at the U.S.-Mexican border area, it seems to me that there an unusual concentration on the border that would seem to exceed what has taken place in regard to the U.S.-Canadian border and certainly between borders in countries in the European community. Was it the process of not making progress in free trade other than the maquiladora that in a sense tended to freeze the high development right there on the border?

I guess I find it unusual that there is such a concentration of the inter-country trade within that number of miles of the Rio Grande River and other border locations.

MR. GARCES: I'm not sure if I understand your question. You are puzzled by the high concentration of manufacturing on the border?

COMMISSIONER ANGELL: Yes. It seems there's an unusual concentration --

MR. STEWART: I can address that. A lot of American companies as well as foreign companies have chosen -- Texas border doesn't have to be Texas border -- locations for a number of reasons. I bring up the plastics products industry in particular because it is a capital-intensive industry in terms of the way they use advanced molds to build their products, and these molds require a fair amount of upkeep as well as people with a high level of skills to both build them and to maintain them.

And with a high demand for plastics in cities like Juarez, across the Rio Grande from El Paso, and in computers and television sets there's a very high demand for plastics products. And should your mold need to be repaired during the production process, it's a lot easier generally to repair it on the U.S. side of the border than it is in Mexico.

One of the reasons why is a lot of the talent for producing molds is actually in the U.S. Midwest, even though El Paso is also developing the industry itself, so if you need parts or if you need specific types of talent, you can quickly fly a component down or a person down from other parts of the country to take care of a production problem. And so that makes El Paso as well as other border cities popular for production facilities.

COMMISSIONER ANGELL: Maybe I should have asked the question the other way. Maybe I should ask what was it that caused -- Mexico is a large country. What caused the maquiladoras to be located so close to the border?

MR. GARCES: Closeness to markets -- U.S. markets, because the products are assembled in Mexico and brought back to the U.S. for distribution in the U.S. market initially.

MR. STEWART: And a premise of the maquiladora program is to bring American-made components in duty free and then have them assembled into final products in Mexico and then send them back again to the United States, and so if these product

good are being brought in duty free from the United States, it would be advantageous to have your location close to the border.

COMMISSIONER ANGELL: In other words, it wasn't open skies or an open border, but it was really a regulated -- that is, the maquiladora escape doesn't really work for all industries. If we had approached open trade with Mexico on a straight-out basis, then the development might have been spread throughout Mexico and less concentrated on the border, Mr. Laborde?

MR. ONATE LABORDE: I think I would tend to agree with you or at least with that particular point of view. It seems to me that it is precisely the restrictions of trade that caused, on the one hand, the maquiladoras industries, because as it was stated before, they had a special duty-free process and because of that, they needed to be very close to the border in order to apply for all the restrictions that the Mexican government implemented for the maquiladoras.

So I do agree with your impression.

COMMISSIONER ANGELL: Thank you.

MR. GARCES: There is another answer to that. When the maquiladora program was first implemented, it was only limited to border states in Mexico. You could not establish a maquiladora plant outside the border states in Mexico. It was not only -- it's not until the 1980s when the Mexican government realized that the border was growing too fast and there was not enough infrastructure to deal with the population growth and the demands on the communities and the municipalities that they allowed the expansion of the maquiladora industry to other parts of the country.

COMMISSIONER ANGELL: Thank you. That's helpful.

COMMISSIONER HILLS: Commissioner Papadimitriou?

COMMISSIONER PAPADIMITRIOU: Let me first thank you all for your presentations. If I can speak for myself, these are new things that I have learned from this panel which will be very important, at least as we deliberate what it is to recommend.

And I'm particularly interested in Mr. Sheridan's presentation. My question is specific in

that, if the Federal Government and the state governments were to adopt and implement your recommendations, do you have any estimates about what the cost would be and what assurances exist that all these displaced workers will find employment opportunities that in some ways will improve their lot?

MR. SHERIDAN: I don't have specific data with me. I can get information back to the Commission. But what I can tell you is this. What we're finding is the current structure -- the assistance payments do not coincide with the training time period, and therefore, what we're doing is that the individuals are losing out on the training availability. Many of them drop out of the training when the weekly adjustment assistance benefits run out, so they're not completing the training, therefore, they don't go into a job as fast.

If Congress takes the recommendations to match the assistance payments with the training and makes the program a lot more flexible, then you will have more people completing the training and thereby

more job ready. Right now, the system is putting people out who aren't job ready.

COMMISSIONER PAPADIMITRIOU: If I may follow up on that; you're saying that 68 percent of the 75 percent who have secured employment for six months drop out. Do you know what happens to them?

MR. SHERIDAN: Well, many of them will either go back on other government assistance programs -- they come from multiple wage earner households sometimes. They will then go on to any kind of a job they can find at a much lower wage scale than they had.

We in Texas have been able to secure two special national reserve account grants as model experiments, one in the Lower Rio Grande Valley, and one in El Paso, to establish new models for the country to look at. We're not an anomaly; other parts of the country have the same problems.

Unfortunately, we have dollars but no new rules, so we have more money to put into a system that in my opinion is still failing to get them job ready. Even though they can get the weekly assistance

payments, the rules don't make them more job ready yet.

COMMISSIONER PAPADIMITRIOU: I have one more question for Mr. Stewart.

You are suggesting that NAFTA has improved conditions and one of the improvements is the increase in the per capita income, but I would like to suggest that perhaps the per capita income is not the best measure of success. And in earlier testimony this morning, the question was raised about distribution of income, which appears that Texas has not done very well in it.

How would you square that?

MR. STEWART: The fact that Texas has poor income distribution isn't really news. If you divide Texas into tenths, I guess, you'll see that we have a lot more people at the very high end and also at the very low end, and with per capita income being a mean average too, we could be having people with much higher incomes which is leading to that growth.

With my presentation, one of my points is that the economic data that Texas has been seeing for the past six years has been overwhelmingly positive,

whether it's export growth or income generation or employment growth, and per capita income is yet another one of those measures. And if you look within particular industries, a lot of our wage growth has occurred in industrial machinery and computers as well as electronics, and those are two of our leading export sectors both in terms of growth as well as in overall terms, and Mexico and Canada are both our two largest markets as well.

So there is a tie to trade and then to wages, and then perhaps to per capita income as well.

COMMISSIONER PAPADIMITRIOU: Thank you.

COMMISSIONER HILLS: Commissioner Wessel?

COMMISSIONER WESSEL: Thank you. I'd like to ask two lines of questioning.

Earlier today we heard about the externalities relating to NAFTA. I'd like to ask Mr. Garces and Mr. Stewart questions about that, relating to the costs of NAFTA on Texas. Understanding your view that overall it's been an economic boom, there are certain costs that still need to be addressed, not only the question of health, infrastructure et cetera, but as the Clinton Administration has pointed out,

that with increased trade flows and the lack of adequate personnel we've seen a dramatic rise in the flow of drugs -- illegal drugs from Mexico as well over the last several years.

Have your departments done any estimates on what is necessary to address these problems? What's your view in terms of how those costs should be shared, and over -- what kind of investments need to be made over time?

MR. GARCES: No, sir. We have not -- I don't have with me any estimates about how much it would take to address those issues. I know that Texas has gone on record requesting additional custom officials to patrol the border. Both State Senators have gone on record requesting additional funding to hire more personnel, but I don't have any figures on what would the costs be.

COMMISSIONER WESSEL: And in terms of the environment or some of the health issues, have you any estimates on those issues?

MR. GARCES: Perhaps the next panel -- they will be able to address those -- I know that all the figures I have seen sort of indicate that additional

capital will be needed to address the environmental infrastructure, but they will be able to address that.

COMMISSIONER WESSEL: And in terms of a mix, do you believe that that's a state responsibility or should that be shared or primarily a federal responsibility?

MR. GARCES: Can you repeat that?

COMMISSIONER WESSEL: Where should the funding come from? Should it be a state responsibility shared with the Federal Government or Federal Government?

MR. GARCES: Like I said in my presentation, I think since the whole nation is getting all the benefits, I think the nation should share the brunt of the costs.

MR. STEWART: In terms of infrastructure, we have done a study where we looked at the growth in trade, especially at the Port of Laredo, and on the surface you would think that the problem is a lack of infrastructure: a lack of bridges, a lack of highway capacity, but just as much as it's an infrastructure problem, there's also a problem in terms of what Jorge was just saying, having the customs crossings being

adequately staffed maybe 24 hours a day so that you can keep the flow of traffic moving.

But there are times when you'll have, out of 12 gates at a particular crossing, only four will be open, and so they'll have a big traffic jam because only four are open when you could have 12. So instead of putting in new physical infrastructure, there are other ways to address the bottlenecks.

And the other problem in Laredo as well as the other crossings is that when American trucks come down to Laredo, they often drop off their goods and then they're picked up by other trucks which then bring goods across the border, where they're transferred to Mexican trucks, and so what happens is that half of the trucks crossing the border sometimes are actually empty, and so that's another way that bottlenecks occur. And it also can be addressed through policy as opposed to building a new bridge, let's say.

COMMISSIONER WESSEL: Mr. Onate, part of the concern about the labor issue, as you know, during the negotiation of NAFTA was inadequate resources. Has your agency done anything to monitor what resources

have been put in by the three governments over the years since NAFTA was put in place, in terms of enforcement personnel, et cetera?

MR. ONATE LABORDE: Do you mean in the commission itself?

COMMISSIONER WESSEL: No. In terms of the signatory governments --

MR. ONATE LABORDE: Yes.

COMMISSIONER WESSEL: -- in terms of the fact-finding that your agency does, have you monitored what resources have been put in?

MR. ONATE LABORDE: No, we haven't.

COMMISSIONER WESSEL: Okay. There are some -- and I refer you to a Wall Street Journal article I'm sure you've seen which says "NAFTA's do-gooders side deals disappoint: they lack teeth." What has been the experience, in your opinion, in terms of the inability to bring cases fully to sanction? It has essentially been a forum for discussion. How has that worked? What resolution of the cases have you seen?

MR. ONATE LABORDE: Well, it seems to me that the object of NAALC was not to establish those

sanctions. I think it has been very, very successful if you look at it from a different standpoint.

If you see the 21 cases that have been brought before the three NAOs and the kind of solution that has been brought by different means -- and that is not arbitration because none of the cases has come to that point -- but in fact what the submitter was seeking in many particular cases -- the solution came very quickly in the same sense that it was put.

Why was that? Well, mainly because one of the governments that was put into a difficult position by someone that came to another NAO made a public pressure on that particular government and have to adopt different measures in order to face that harassment -- that international harassment, if we can call it that way.

So it seems to me that just to point out whether there have been panels, whether there have been arbitration or even sanctions imposed would be missing the point of how effective the agreement is.

COMMISSIONER WESSEL: Does your agency have any ability to track some of the complainants to determine how they're treated afterwards? There has

been some question about a blacklisting of employees who have participated in cases in Mexico. Do you have any ability to ensure that those who participate are going to be treated fairly in the long term?

MR. ONATE LABORDE: What we can do is to ask the particular government that may be in that position to provide the information, but we do not have the ability to do the follow-up because that would be to intrude into one of the three countries' internal affairs. But we can ask for information to the three governments, definitely.

COMMISSIONER HILLS: Commissioner Zoellick?

COMMISSIONER ZOELICK: Thank you.

I'd first like to thank each of you for taking the time to be with us today. I appreciate listening to your testimony. I have two questions and the first is one that Mr. Stewart started to touch on and I'd like to explore a little further.

I understand there's actually been a problem with the implementation of the trucking provisions of NAFTA. It's not just a question of a policy issue to be fixed. It's a question of a policy issue that hasn't been enforced by the United States, first of

all. Some maintain that this problem in implementing our own agreement has to do with safety, and others argue that it's protection against more competition for American truckers, and then the Mexicans have retaliated.

I'd like to get your sense of how the failure to implement this provision in an agreement that we negotiated and accepted has affected the infrastructure and the environment. You started to make an allusion to that, and I found it striking that some people who complain about border and environmental conditions and lack of resources are also the same people who don't want to implement this provision, but you're closer to it and I'm interested in your view.

The second one is also to draw on the experiences of the labor agreement, because I was very much struck by your comment in that some people always assume that agreements must have sanctions in an adversarial process, and my recollection of this agreement was that from the start, it was designed with a more cooperative model in mind and sensitivity to the sovereignty of both countries, a point that

many people in the United States and Mexico always stress; this recognition of their own sovereignty. But that it also built on a different idea, that as opposed to necessarily penalizing the other side, we would work in a more cooperative spirit, but also one that was vigorous in bringing issues to public light, and that through this cooperation we might be able to make progress on both sides of the border.

Given the discussions that went on in Seattle about labor issues, I'm curious what you feel we can learn from this more cooperative arrangement and perhaps also what you would change from it. So the trucking and the labor question, if you could.

MR. STEWART: I think that ultimately, because a border is basically -- even though we do have a river between Mexico and Texas -- an artificial barrier that's been created by man really in two different states. Between Mexico and the United States, goods are basically stopped when they reach the border and something has to happen for them to proceed to the other side.

And with that, there's a lot of distribution that takes place on both sides of the border and

there's a lot of congestion, and ultimately I think that we need to achieve a seamless border in the same way that we have when you cross between Canada and the United States, but we're not at that point yet, crossing into Mexico. And I'm not sure if people put it into dollar terms or anything, but the losses that are occurring on the border because things stop would have to be fairly substantial. I think there would be a lot to be gained by having trucks be able to cross more freely back and forth.

COMMISSIONER ZOELLICK: Have any of your agencies taken a position on this?

MR. GARCES: If I may answer that? My agency in particular is coordinating a program to work with the federal agencies to start implementing an inspection process for Mexican trucks once they're allowed to come through, all the way to Canada. It has always been the position of the State of Texas that NAFTA should be fully implemented, and that means that the trucks from Mexico or from the U.S. or Canada should be allowed to travel all the way from Mexico to Canada.

There are a lot of misconceptions about Mexican trucks. I'm not saying that all Mexican trucks are safe, but prior to the implementation of NAFTA, many of the Mexican fleets were modernized in anticipation of them being able to compete. So many Mexican fleets are equipped with state of the art equipment. That is not to say that they all would be able to pass the inspection, but they are ready to compete and we want to be able to inspect them when they come through Texas.

So we are working on that and we're looking at building facilities at ports of entries so they can be inspected.

COMMISSIONER ZOELLICK: Let me just add to that. I am very pleased you're doing that because as an American, recognizing that many Americans criticize other countries for not keeping terms of trade agreements, it is deeply troubling to me that we fail to keep our own agreements. I think that undermines our own position on a whole host of trade issues.

MR. GARCES: There's another -- if I may conclude by saying that there are a lot of complaints by the industry and businesses that having those

trucks idling for hours at the border creates a lot of environmental problems, and also it costs them a lot of money when those goods sit there for hours and hours, so that's another concern.

Thank you.

COMMISSIONER ZOELLICK: And on the labor?

MR. ONATE LABORDE: I would like to address your question first by the larger part of it and then from the beginning.

I think the issue of whether the labor subject matter is part of trade is one of the big issues, the same as concerning the environment. In fact, the whole thing about Seattle deals with that respect. To what amount or to what percentage is the ingredient of labor and environmental matters, whether trade should be considered without those other two matters? So I think there is not one straightforward answer to that.

What is a fact is that NAFTA is the first trade agreement that has a parallel agreement on labor, and that is a fact.

Now, the point of whether to have sanctions or to have a more cooperative agreement like the one

that is fashioned so far is better or not, I think it's important to bear in mind that although subjects that may be brought within the scope of the labor agreement does not necessarily have to relate to trade matters. They can be just merely labor matters.

On the other hand, it seems to me that to focus on sanctions could be to miss the point of what really is the concern of the side agreement on labor, and to my understanding, DIAQLAN [phonetic], what it really seeks, is that each particular country will do whatever may be needed in order to really empower and enforce its own labor law. To go beyond that point, it seems to me that could not be without the scope and the range of the labor agreement so far.

COMMISSIONER ZOELLICK: Thank you.

COMMISSIONER HILLS: Thank you very much.

And Chairman Weidenbaum has a question.

COMMISSIONER WEIDENBAUM: Thank you.

I thank all four of you gentlemen for very practical, helpful testimony. I have a specific question for Mr. Sheridan.

The shortcomings you show of what I call its bureaucratic nature certainly aren't surprising. They

don't strike me as something that just occurred. Have you tried in the past to obtain some reforms -- some greater consistency? What obstacles have you encountered?

MR. SHERIDAN: Well, the answer is two-fold. First, this is not the first time I've made a similar presentation suggesting two avenues of relief. One, of course, is a law change which Congress only can act upon. Certainly we furnish educational information to our Texas delegation, who is very interested in this on behalf of their citizens in the state. They are very supportive of these changes going forward if it's going to help Texas workers.

COMMISSIONER WEIDENBAUM: Have they actually introduced some legislation?

MR. SHERIDAN: There has been legislation introduced in the past and, as you know, sometimes all legislation introduced doesn't make it all the way to law.

The other part of the issue deals with policy change or the lack of policy change, primarily with the Department of Labor in Washington. We have a

very good relationship with our regional DOL office here in Dallas, and they're very supportive of this.

One of the problems is that you have an infrastructure of administrative oversight based on the way the system was developed years ago. They have not changed that because they have a national perspective to look at for all states, not just Texas.

What we're asking for is relief -- what I would call demonstration projects, pilot projects specific for that, and we've not been successful to get them to do that yet, but we continue that dialog with them.

COMMISSIONER WEIDENBAUM: Thank you. By the way, I don't want to generate a paperwork requirement, I don't want to put you to any additional trouble, but if you have more detailed readily available backup material to provide to the staff, I'd appreciate that.

MR. SHERIDAN: We'd be happy to do that. That is not too much trouble, because this is important to us here in Texas.

COMMISSIONER HILLS: Thank you very much.

Commissioner Thurow?

COMMISSIONER THUROW: Yes. If you look at any study that's ever been done of a Federal Government training program, you tend to come to the conclusion that on a cost benefit ratio they don't pay, and they don't pay because of the dropout rate, because in all programs the dropout rate is very high and the dropout rate is irrationally high because if you complete the program the question is what's the probability of getting a job using those skills, and in almost all cases, it's not high.

And so the rational thing to do, even if you can finance it, is the minute the job comes along, drop out of your training program and take it and at a discounted net present value, you're going to be better off. And so I'm sure that the things you suggest would kind of marginally improve things, but my suspicion would be, even for example if you had the maintenance grants consistent with the training program, you'd still have a very high dropout rate, because in programs where that's been true, they do have a high dropout rate.

So my question is to you if you could sit back -- ignore Congress for the moment -- and think a

little more broadly about training programs for people who are displaced because of international trade, what could you tell us from your experience about how they ought to be designed as opposed to how you marginally improve this program?

MR. SHERIDAN: I would suggest that you could block grant to states all related employment workforce programs and let the states leverage those dollars without restrictive silo rules, the way the system works now. In other words, let the states take more control. We have to realize the budget's limited, and understand that it's not unlimited dollars for these programs.

But if you could take the dollars and give them to the states and allow them to blend those dollars without current rules and restrictions, that would be one thing that would be helpful for the training programs. And second, you must have the employer at the table, who knows the job skills and has the jobs. You don't start with the training provider, and you don't start with the training curriculum.

What you do is you tailor the curriculum and the training based on the jobs that are coming down, so what you need to do is have the employers at the table.

COMMISSIONER THUROW: Yes. I think you've hit on what I would -- if I was answering my own question I would have answered -- if you go to the German apprenticeship program, the Germans will tell you what makes it work is if you complete the program you have a 100 percent probability of getting a job in that skills, and that's what makes you complete the program. Not that you got maintenance money, not that you got other things; that you know there's a payoff if you complete the program.

And if you don't have the employers essentially guaranteeing a job when you get to the skill level, it's always rational to drop out.

Now, let me ask one other quick question of Mr. Stewart. If you go and look at the export statistics of Israel it'll say that diamonds are its biggest export, but the fact of the matter is diamonds are very small in the Israeli economy because 98 percent of the value of the exports is in the imports

because you don't find diamonds in Israel; they're all imported.

And when you were talking about computers being a big export basically to New Mexico, don't you have a similar problem? Take Compaq. I know that most of their laptops are made in Taiwan. Suppose I fly a Compaq laptop from Taiwan to Texas. I stamp the name on it in Mexico so it goes across the border in Mexico to basically get the name stamped on it and it comes back.

You might find that computers, for example, if you subtract the imports are a negative industry in Texas as opposed to a positive industry in Texas, and for those kind of statistics I think you want to in some sense look at both sides of the equation, the imports of that product and the exports to figure out whether it really is an important Texas industry.

And, for example, in laptops, despite the fact that Dell and Compaq are in Texas, we know that's not where they're made. Most of the value added is somewhere else in the world. It could be at Intel in California. It could be the screens in Japan, the D-RAMs in Korea, the assembly in Taiwan, but it's not a

Texas product even though you're going to count it as an export when it leaves from a Dell distribution center.

And so I think one of the things that you might do on your statistics is kind of do that Israeli diamond calculation and figure out how big some of these industries really are.

MR. STEWART: We'll look again to export data statistics, but that's true that sometimes there might not be a whole lot of value added. At least with the export series that we do use, there is some semblance of value added, whether it's a warehouse or a distributor or the good was actually manufactured in the state.

But in the case of computers, actually, especially for a company like Dell, even though a lot of the parts may be coming from Taiwan, a lot of the components are locally built, whether it's the plastics or the metals that go in the computers or the semiconductors can all come from Texas, so in that case, a lot of it actually is from the state.

COMMISSIONER THUROW: I was using the laptop example because that's a case where they really are almost not made in the United States at all.

COMMISSIONER HILLS: I'd like to follow up on a question and any of you can answer, but I probably in the first instance would direct it to Mr. Onate.

You describe quite eloquently the value of the side agreement, shining light on failure to enforce labor rules in the respective jurisdiction -- Mexico or the United States. I wonder if you have given any thought to the value that the International Labor Organization, which has a similar format of shining light -- put aside for the moment the United States has not ratified most of its conventions (although officials talk in public about the value of the content of those conventions). In the trade arena, to work with a body like yours or the International Labor Organization, they offer promise to dealing with the grievances that we have with respect to labor standards and human rights?

MR. ONATE LABORDE: Well, first of all, I would like to state that like what happens with the ILO, one of the objectives is to have common standards

for all countries that are members of ILO. In the case of this labor side agreement, it is not the intention of having that. There are only eleven guiding principles that try to encompass the main values that should guide labor.

Now, it is my opinion that one of the great achievements of this agreement has to do with getting to know what really happens in the enforcement of labor law in the three countries. It is often the case that we do not know very well what is happening with our neighbor and once we understand it or know it, we find that certain things that seemed at the beginning very different are not so, and on the contrary, certain things that we took for granted, they become very, very different.

So it seems to me that that is one of the great achievements and results we have had so far, to get to understand better what happens with the neighbor in that particular respect, and also, to our surprise, to see that many problems that each country is facing in an isolated way could be faced in a cooperative manner, mainly regarding research and regarding precisely that way of having a diagnosis of

what has happened with the labor market in North America.

COMMISSIONER HILLS: Thank you.

Would anybody else like to add to that?

(No response.)

COMMISSIONER HILLS: Well then, Commissioner Lewis.

COMMISSIONER LEWIS: The public perception of trade varies in the United States, and I think nobody will argue that trade does do some good, but there's a perception sometimes that it's harmful, and I'd like to talk about the food industry as an example.

In the last couple of years there was an outbreak where in Michigan school children got sick through tomatoes. I'm told that the inspection budget of Mexico has been reduced down from \$25 million before NAFTA to \$5 million now for the inspection of food. And then there was another outbreak in Minnesota of parsley.

Food and vegetables from Mexico account for over half of the food and vegetables imported into the United States. What can be done to assure greater

inspection of food coming into the United States?

What should we be recommending?

COMMISSIONER HILLS: Let me just say, for the record, the U.S. takes the responsibility for inspecting all foods that come into our country. We have standards, both with respect to --

COMMISSIONER LEWIS: But I thought under NAFTA, under Section 717, there's some --

COMMISSIONER HILLS: No. We have not delegated the inspection function to another government. We require the food coming from NAFTA to meet our requirements, and the inspections are done by our inspectors.

COMMISSIONER LEWIS: So we need to improve our budgets then for this?

MR. GARCES: Well, I was going to say the USDA is responsible for the final sanitary inspections at the border --

COMMISSIONER HILLS: Absolutely.

MR. GARCES: -- and I believe the U.S. Department of Health is responsible to do the certification of the processed foods --

COMMISSIONER HILLS: Yes.

MR. GARCES: -- so it would be up to those agencies to increase the budget or the numbers of inspectors.

COMMISSIONER LEWIS: It's really our problem rather than the problem --

MR. GARCES: It's our problem.

COMMISSIONER LEWIS: I see. Okay. So maybe we need to be recommending more rigorous inspection of the foods coming into the United States.

MR. GARCES: Yes.

COMMISSIONER LEWIS: Because obviously when this occurs, the public gets wind of it, the newspapers really play it up, and then people have negative perceptions.

COMMISSIONER THUROW: I just have an informational question. The USDA often works by having inspectors in factories. Can we have a health inspector in a Mexico food factory?

COMMISSIONER HILLS: We have our inspectors in Latin America. We have made arrangements in many countries to have inspectors do preliminary inspection for purposes of efficiency, and particularly with respect to food because of their perishability.

Are there any other questions by our Commissioners?

MR. ONATE LABORDE: If I may just --

COMMISSIONER HILLS: Yes, you may.

MR. ONATE LABORDE: -- to add something to the question that has just been posed? When there is a dealing going on food, the purchaser of the food sends people to Mexico to inspect the factory or the growing land where the food is grown in order to assure that it will meet the requirements it will find over here. And if that is not the case, the purchaser will not acquire those products.

That is a usual practice.

COMMISSIONER HILLS: And that makes very good sense, of course, because one would not want to spend a whole lot of money only to have a shipment of goods stopped at the border and be subject to spoilage.

MR. ONATE LABORDE: That's right.

COMMISSIONER HILLS: So this has been a tradition.

If there are no further questions, I think that you receive applause from each of us. We're grateful for your time. We're particularly grateful

for your remarks. You've given us much food for thought for our deliberations, so we thank you so much.

We'll take a two-minute break before we start out next panel, which will be on the environmental impact and solutions.

(Whereupon, a short recess was taken.)

COMMISSIONER HILLS: Some would say we've saved the best for last, but in any event, we're terribly grateful to you four gentlemen who are sharing your wisdom and your thoughts with us. And so we have an hour and a half to talk about environmental impacts and solutions. I regret that some of my fellow Commissioners, because of airline schedules, have had to leave to catch their airplanes, but those of us who have stayed are twice as interested, and therefore, you have the same amount of interest as if you had been here earlier.

I'll call first on Gregg Cooke, and let me add that he is with the Environmental Protection Agency.