THE DEVALUATION OF THE MEXICAN CURRENCY

HON. PHILIP M. CRANE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Friday, January 20, 1995

Mr. CRANE. Mr. Speaker, in recent weeks opponents of the NAFTA have tried to use the devaluation of the Mexican currency as a way to revive their efforts to undermine this historic trade initiative. To be sure, the devaluation of the peso is of great concern to our country because of the economic dislocation it is causing in Mexico. The devaluation will have the unfortunate effect of raising the price of United States exports to Mexico, and will tend to reduce the trade surplus the United States built up with Mexico during 1994, the first year of the NAFTA.

The current situation facing Mexico is unfortunate, but the United States has a strong interest in helping Mexico weather this downturn in its economy. The United States shares a 2,000-mile border with Mexico and our economies are closely linked. Total trade between the United States and Mexico is in the range of $70 billion a year.

Without NAFTA the current economic situation would be much worse for U.S. businesses and workers. As a comprehensive bilateral free-trade agreement, NAFTA obligates Mexico to solve its economic crisis in ways that ensure that United States products and services will not be shut out of Mexico's market. In the past it was not unusual for Mexico to try to address its currency problems and fiscal difficulties by nationalizing banks and other industries, and otherwise closing the Mexican market to United States goods and services. Because the NAFTA obligates Mexico to maintain an open market, the agreement will serve as a stabilizing force to minimize the effect of Mexico's economic problems on the United States.

United States trade policy towards Mexico as symbolized by the NAFTA, helps to steady a volatile situation for U.S. businesses and workers. NAFTA ensures that President Ernesto Zedillo will address the current situation through greater, not less liberalization of the Mexican market. NAFTA is by no means a cure-all, but it is a highly advantageous agreement for U.S. workers and businesses in this current climate of uncertainty in the economy of our southern neighbor.

REAUTHORIZING THE COMMODITY FUTURES TRADING COMMISSION

HON. PAT ROBERTS

OF KANSAS

IN THE HOUSE OF REPRESENTATIVES

Friday, January 20, 1995

Mr. ROBERTS. Mr. Speaker, today I am introducing by request legislation that reauthorizes the Commodity Futures Trading Commission through the year 2000 at unspecified annual appropriations. I am joined by Messrs. DE LA GARZA, EWING, and ROSE.

The CFTC is the independent agency charged with regulating the Nation's 10 active commodity futures exchanges, the professional brokerage community of futures commission merchants and introducing brokers, commodity trading advisers and pool operators. Futures exchanges for years have met the vital economic needs of price discovery and risk management to U.S. agriculture. And, during the last 20 years, we have seen an explosion of trading in exchange derivative products on industrial and precious metals and energy commodities as well as financial instruments. Interest rate and stock index contracts continue to show phenomenal growth trends as more and more commercial and industrial enterprises understand the benefits of hedging economic risks in the futures and options markets.

Within the past decade, useful off-exchange markets have developed in individually negotiated instruments with characteristics of traditional futures and option contracts.

The CFTC is there to make sure the designated exchanges continue to promote fair and orderly trading, to police legitimate over-the-counter markets and to prosecute with State law enforcement authorities illegal boiler room activities that have operated for years in the gray areas of the Commodity Exchange Act.

My colleagues and I believe a simple, 5-year authorization is appropriate at this time, since the Commission's regulatory activities were thoroughly debated during the last reauthorization, which was concluded in October, 1992. The Commission operated without authorization during fiscal years 1990 through 1992 while the Congress debated several issues of crucial importance to our financial markets. The CFTC has been without an authorization so far in this current fiscal year, and this committee must assume its legislative responsibilities. There still are outstanding issues and questions about competitiveness and regulatory intrusions, but I would hope that we could deal with them, if necessary, in separate legislation.

In that regard, the Futures Trading Practices Act of 1992 required the precise, independent and unalterable recordation of all trade executions to be an industry standard by October 1995. The Congress rightly understood the technological problems involved in attaining this mark and provided some flexibility. I might add here that the House committee report making appropriations for fiscal year 1995 concluded that the exchanges had made good faith efforts to meet the audit trail requirements. The Appropriations Committee said it expected the Commission to grant an extension to the exchanges beyond the 1995 deadline. Although I, as one Member, have not concluded whether or not the Commission should grant the extension, it is up to the Committee on Agriculture to deal with this matter.

Finally, Mr. Speaker, off-exchange derivatives trading has been making headlines recently. Procter & Gamble, Gibson Greeting Cards, and other private companies as well as several public funds, including the now famous fund controlled by Orange County, CA, have lost large sums of money through derivatives investments. Many of these transactions may have been made without adequate understanding of the risks involved in highly leveraged instruments. There may have been breaches of fiduciary responsibilities in some of these cases. At any rate, so far the regulators have held their fire in requesting new authorities. I understand the SEC is asking for some voluntary restrictions of certain unregulated subsidiaries of SEC registrants, but, beyond that and other administrative actions taken recently by banking regulators, I would hope the Congress moves cautiously in this area of financial regulation.

Derivatives are not new even though a casual reading of the business press would lead you to a different conclusion. There is little the Congress can do to legislate against poor judgement. In those instances where fraud is found, then there are appropriate laws to deal with the problem. To restrict the legitimate uses of derivatives—and few doubt their legitimacy whether they are exchange-traded futures and options or over-the-counter hedging and investment instruments—would be a profound error.

TELECOMMUNICATIONS LEGISLATION TO OPEN THE INFORMATION SUPERHIGHWAY TO ALL AMERICANS

HON. CARDISS COLLINS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Friday, January 20, 1995

Mrs. COLLINS of Illinois. Mr. Speaker, in the last 2 weeks I have introduced a pair of legislative initiatives that are of paramount importance if we in this body are to adequately ensure that all Americans have a genuine opportunity to participate in the information revolution that is now rapidly progressing in our Nation. As we are all well aware, every day in the morning papers another story appears announcing a new telecommunications merger or plans for the development of a new telecommunications technology. The pace of change in this arena is absolutely striking.

But with change comes challenges Mr. Speaker. While we should all look forward to the opportunities presented by new, emerging technologies, we cannot disregard the lessons of the past and the hurdles we still face in making certain that everyone in America benefits equally from our country's maiden voyage into cyberspace.

It is a very well-documented fact that minority and women-owned small businesses continue to be overwhelmingly under-represented in the telecommunications field. In the cellular industry, which generates in excess of $10 billion per year, there are a mere 11 minority firms offering services in this market. Overall, barely 1 percent of all telecommunications companies are minority-owned. Of women-owned firms in the United States, only 1.9 percent fall within the communications category.

Therefore, I have introduced two separate pieces of legislation, H.R. 187 and H.R. 503, the Telecommunications Economic Opportunity Act of 1995, that seek to remedy the aforementioned inequities. It is imperative that minorities and women are drivers, not simply passengers, in the superhighway fast lane. As the statistics point out, too often in the past these groups have been left standing on the shoulder, only to watch the big guys and gals cruise down the road, leaving them in the dust.

I must note that both of these measures passed the full House by a landslide last year as part of H.R. 3626, the Antitrust and Communications Reform Act of 1994, and I look forward to the same bipartisan support for my initiatives in the 104th Congress.