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Formal U.S. Review of NAFTA Elicits Mixed Reactions on Both Sides of Border

by LADB Staff

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In early July, US President Bill Clinton's administration released its first formal review of the North American Free Trade Agreement (NAFTA), sparking debate over the accord's impact on the Mexican and US economies. The US review of NAFTA was fairly modest, especially when compared with recent Clinton administration statements that enthusiastically promoted the agreement's benefits to the US economy.

Still, the review was positive. It cited an increase in exports of textiles, electronics, appliances, transportation equipment, and other products. In fact, the report argued that exports to Mexico and Canada increased by more than 30% as a result of NAFTA. "Several studies conclude that NAFTA contributed to America's economic expansion," the report said. "NAFTA had a modest positive effect on US net exports, income, investment, and jobs supported by exports."

Not surprisingly, the review generated debate among opponents and supporters of the agreement in the US and Mexico. A number of US NAFTA critics including labor unions, agricultural groups, and consumer-rights organizations said the review failed to provide any data on the agreement's impact on US employment or on the environment along the US- Mexico border.

US critics cite job losses under NAFTA

In the report, the administration said NAFTA helped create between 90,000 and 160,000 jobs in the US because of increased exports to Mexico and Canada. Still, the administration acknowledged that NAFTA has resulted in the transfer of some jobs to Mexico. "Some workers have been displaced, but on balance we have created more jobs," said presidential spokesman Mike McCurry. "These are higher-paying jobs, particularly in the manufacturing sectors."

In contrast, a coalition of six groups, led by the Washington-based Economic Policy Institute, said a total of 400,000 jobs in the US and 2 million in Mexico have been lost. "The number of companies that have shut down their plants in the US and moved their operations to Mexico has doubled under NAFTA," said institute president Jeff Faux. Moreover, the institute and other groups say the simple threat by employers to move their operations to Mexico has weakened US and Canadian labor unions, stifling their efforts to seek higher wages.

Environmental impact of NAFTA also questioned

Some environmental groups also criticized NAFTA's failure to promote stronger environmental protections in Mexico, particularly in communities near the industrial corridor along the US-Mexico border. "Three years of evidence demonstrate conclusively that the unregulated expansion of North American trade has made an already heavily polluted border region much dirtier and more dangerous," said Mark Valliantos, spokesperson for the US environmental group Friends of the Earth. The administration's report contained some data regarding environmental protection,

including a decline of 72% in the number of "serious" environmental violations by the maquiladora sector.

The administration also took credit for the creation of the Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADBank), which fund environmental projects along the border. These agencies were created through the parallel accord on the environment, which was negotiated after the full NAFTA text had been completed. However, the true impact of the BECC and the NADBank is not yet known, since the two have been in operation for only a short time. Additionally, both agencies are hampered by lack of funding from the US and Mexican governments.

Mexican businesses support agreement

In Mexico, President Ernesto Zedillo's administration and representatives of business organizations such as the Confederacion de Camaras Industriales (CONCAMIN) and Confederacion de Camaras Nacionales de Comercio (CONCANACO) were quick to credit NAFTA for bringing financial stability to Mexico after the devaluation of the peso in late 1994. "NAFTA has been a success for US and Mexican business and workers, notwithstanding the severe devaluation and economic crisis in Mexico," said Julio de Quesada, president of American Chamber of Commerce in Mexico (AmCham).

Still, business leaders and officials say many changes are needed to harmonize regulations and speed up customs transactions. In addition, business leaders say some trade disputes continue despite the enactment of NAFTA, such as the longstanding conflict over US access for Mexican trucks. Under the original NAFTA time line, US and Mexican truckers would have been allowed to carry cargo inside the states on the US-Mexican border between 1996 and 1999. In the year 2000, complete cross-border access would be granted. However, citing concerns about the safety of Mexican trucks and the lack of insurance coverage, the US government implemented a 14-month delay in opening US roads to Mexican truckers beyond a 20-mile border trade zone (see SourceMex, 02/23/94 and 01/17/96).

Mexican coalition to ask new Congress to renegotiate NAFTA

Meanwhile, a coalition of Mexican businesses, civic groups, and labor unions has drafted a proposal to members of the newly elected Chamber of Deputies to renegotiate sections of NAFTA. The new Congress, which was elected on July 6, includes greater representation for the Partido de la Revolucion Democratica (PRD) and Partido Accion Nacional (PAN) in both the Chamber and Senate (see SourceMex, 07/09/97). The coalition includes the Red Mexicana de Accion Frente al Libre Comercio (RMALC), the Asociacion Nacional de Industriales de la Transformacion (ANIT), the Central Independiente de Obreros Agricolas y Campesinos (CIOAC), and the Frente Autentico de Trabajadores (FAT).

The coalition is pushing the new Congress to seek inclusion of clauses to protect immigrant rights in the US and create mechanisms for more equitable income distribution within NAFTA borders. It also wants greater regulation of speculative investments, which some blame for the devaluation of the peso in late 1994. The coalition will present a formal proposal to Mexican legislators by September. The Zedillo administration has already expressed its opposition to any effort to

reopen NAFTA. Speaking to members of the RMALC, deputy trade secretary Jaime Zabludovsky Kuper suggested that reopening NAFTA could also encourage the US to make new demands on Mexico. "The US has begun to notice the increasing competitiveness of Mexican exporters," said Zabludovsky. "To reopen NAFTA now could provide the US with excuses to eliminate important gains in access to the US market."

Additionally, any effort to reopen NAFTA will require the consent of the US and Canadian governments, which is highly unlikely. In the US, there is little talk of renegotiating NAFTA because of legal considerations. Instead, proponents and opponents of the agreement have shifted their attention to President Clinton's efforts to obtain fast-track authority from Congress to negotiate Chile's incorporation into NAFTA. "Before we proceed with further trade negotiations we need to ensure that trade results in real progress for the broadest cross section of people," said House Minority Leader Richard Gephardt (D-MO), who voted against NAFTA.

More studies of NAFTA's impact on US & Mexican agriculture

Meanwhile, a report produced by the CIOAC, the Asociacion Nacional de Empresas Comercializadoras del Sector Social (ANEC), and the Confederacion Nacional Ganadera (CNG) said NAFTA has created significant problems for the agriculture sector. According to the report, imports of grain and livestock products have increased by 19% since 1993, which contributed to an agricultural trade deficit of US\$1.4 billion for Mexico during 1996. The report's conclusions are reaffirmed by a separate study commissioned by US agricultural organizations.

That report says the US accounted for 78% of all Mexican agricultural imports in 1996, compared with only 60% in 1993. The report, released in mid-July, said US agricultural exports totaled US\$6.4 billion to Canada and US\$5 billion to Mexico during 1996. "Our research shows that on balance NAFTA has been very good for US agriculture," said Martin Able of Promar International, the company commissioned to conduct the study. (Sources: United Press International, 07/02/97; Los Angeles Times, 07/09/97; Associated Press, 07/10/97; The News, 07/01/97, 07/10/97, 07/11/97; The New York Times, 07/11/97; La Jornada, 07/01/97, 07/14/97; Novedades, 07/01/97, 07/14/97, 07/15/97; El Financiero International, 07/15/97; Excelsior, 07/01-04/97, 07/14-16/97; El Universal, 07/01/97, 07/03/97, 07/08/97, 07/10/97, 07/11/97, 07/15/97, 07/16/97; El Economista, 07/01/97, 07/09-11/97, 07/14/97, 07/16/97)

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