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Senate Appoints 10 Committees to Study Impact of NAFTA on Mexico

by LADB Staff

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The North American Free Trade Agreement (NAFTA) is entering its sixth year with mixed reviews on its impact on the three signatory countries. While some debate in the US and Canada has examined the effect of NAFTA on wages, the environment, and agriculture, the accord appears to have had the most far-reaching effect on Mexico.

Because of the changes NAFTA has brought to Mexico, the Mexican Senate has formed 10 committees to study its successes and failures in different aspects of the Mexican economic, socioeconomic, and political landscape. The committees will consider NAFTA's impact in trade, immigration, US-Mexico border issues, the environment, transportation, and other aspects of Mexican relations with the US and Canada. Sen. Cristobal Arias Solis of the center-left Partido de la Revolucion Democratica (PRD) said the 10 committees will combine their results into a single report, which will be presented to the full Senate sometime in early March.

Trade Secretary Herminio Blanco, Mexico's chief negotiator for the treaty, has been among the strongest supporters of NAFTA in Mexico. In a speech before the private US business organization Council of the Americas in Washington in late January, Blanco credited NAFTA with boosting Mexican exports to the US by 40% over a five-year period, expanding direct foreign investment in Mexico to US\$11 billion, and creating 1.5 million new jobs in the country. The US and Mexican governments are quick to define the "success" of NAFTA in trade statistics. In a speech at the Universidad Iberoamericana in late January, US Ambassador to Mexico Jeffrey Davidow reported that US-Mexico trade reached US\$200 billion in 1998, compared with only US\$80 billion the year before NAFTA went into effect.

Statistics published by Mexico's Secretaria de Hacienda y Credito Publico (SHCP) indicate that Mexican exports approached US\$118 billion in 1998, of which roughly 80% went to the US. Mexican products now account for about 10% of total US imports, compared with about 7% before NAFTA. In his speech before the Council of the Americas, Blanco also credited NAFTA for helping create a buffer to protect Mexico during the economic crisis that followed the 1994 peso devaluation.

In an interview with the daily business newspaper El Economista earlier in January, Blanco said the agreement has also provided a mechanism for the US and Mexico to address trade disputes. "There was no way to resolve disagreements before NAFTA," said Blanco. "We frequently had to appeal to the US to allow an increase of exports of textiles and steel." The US and Mexican governments have used NAFTA mechanisms to resolve disputes regarding tomatoes, avocados, and tuna (see SourceMex, 10/16/96, 05/27/98).

NAFTA has varied regional impact on Mexico

Some economists contend the benefits of NAFTA have been uneven in Mexico, with northern states like Chihuahua and Baja California becoming more developed but the southern states sinking deeper into poverty. "NAFTA has increased regional polarization like never before," said Enrique Dussel Peters, an economist at the Universidad Nacional Autonoma de Mexico (UNAM). "The inequalities are growing and will continue to increase." While some economists credit NAFTA with helping develop such sectors as automobiles, communications, and manufacturing, critics also point out the agreement has failed in its goal to create sufficient jobs in Mexico to help raise the standard of living.

Economist Luis Rubio of the Centro de Investigaciones para el Desarrollo estimates that NAFTA has created about 1.5 million new jobs in Mexico. But most of these jobs pay only slightly higher than positions not related to NAFTA. "The manufacture of low-tech goods creates jobs like crazy," Rubio told the San Antonio Express-News. "They're cheap jobs, but they're the only job growth we have."

Other critics argue that the Mexican government negotiated NAFTA without considering the disparities between the agricultural sectors in Mexico and those in the US and Canada. Such disparities include huge differences in the availability of equipment, fertilizers, seed, and other inputs, which have given US and Canadian producers an unfair advantage over their counterparts in Mexico. For example, US farmers had an average of 1.5 tractors for every agricultural worker before NAFTA, compared with only two tractors for every 100 workers in Mexico, said Magda Fritscher, a sociologist at the Universidad Autonoma Metropolitana-Iztapalapa. NAFTA has allowed the US to increase its exports of basic foodstuffs like corn, beans, and barley, which in turn has reduced domestic prices received by producers by between 40% and 60%.

This trend has had a greater impact in the southern states, which depend more on agriculture, than on the more diversified northern states. But some agricultural interests in northern Mexico also are concerned about NAFTA. Livestock producers complain that US packers have gained 25% of the Mexican meat market in recent years because of more efficient production methods, which allow them to sell products at lower costs.

Jorge Bello, a representative from the Secretaria de Agricultura, Ganaderia y Desarrollo Rural (SAGAR) in Tamaulipas state, said Mexican livestock producers have little recourse against US beef imports, which are guaranteed access to the Mexican market under NAFTA. "The only thing we can do is to produce higher-quality meat to compete with US producers," Bello told the daily newspaper Excelsior.

Some critics say accord must be renegotiated

Other NAFTA criticisms in Mexico center on the agreement's failures. The loudest complaints have come from the Mexican trucking industry, which has taken issue with the US government for failing to recognize the NAFTA provisions that allow Mexican truckers greater access to US territory. Under NAFTA, Mexican trucks were to be allowed to transport goods anywhere in California, Arizona, New Mexico, and Texas. But US President Bill Clinton's administration reneged on this commitment, citing safety concerns (see SourceMex, 01/17/96).

Some critics say NAFTA has also failed to improve environmental and labor conditions in Mexico, despite the negotiation of side agreements to deal specifically with these issues. For the most part, the billions of dollars promised to construct sewers, water-treatment facilities, and other environmental projects along the US-Mexico border have failed to materialize. Some members of the PRD and organizations like the Red Mexicana de Accion frente al Libre Comercio (RMALC) are pushing for a renegotiation of NAFTA to create more favorable conditions for Mexico in agriculture, immigration, and other areas.

But President Ernesto Zedillo's administration has declined to pursue a total renegotiation of the agreement, seeking instead to press the US administration on specific issues such as trucking. "Now is not the time to renegotiate the agreement, because such a move would be more beneficial to the US," said Jaime Zabudovsky, former deputy trade secretary.

The 2000 presidential election may have some bearing on how Mexico deals with NAFTA. Mexico City Mayor Cuauhtemoc Cardenas, the likely candidate for the PRD, has in the past cited a need to "improve" NAFTA. At the same time, Cardenas has also expressed support for many aspects of the agreement. The front-runners for the nomination for the governing Partido Revolucionario Institucional (PRI) former Puebla governor Manuel Bartlett Diaz, Tabasco Gov. Roberto Madrazo Pintado, and Interior Secretary Francisco Labastida Ochoa are likely to leave the agreement intact. Vicente Fox, the probable candidate for the center-right Partido Accion Nacional (PAN), also supports NAFTA. (Sources: El Financiero International, 12/28/98; San Antonio Express-News, 01/01/99; The Dallas Morning News, 01/03/99; La Jornada, 01/11/99; El Economista, 01/05-08/99, 01/11-15/99, 01/20/99, 01/22/99; Novedades, 01/19/99, 01/22/99; Excelsior, 01/20/99, 01/23/99; The News, 01/11/99, 01/22/99, 01/25/99; Associated Press, 12/31/98, 01/28/99)

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