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Mixed Reactions In Mexico To U.S. Democratic Candidates' Threats To Push For Nafta Renegotiation

by LADB Staff
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The US presidential campaign has attracted strong interest in Mexico but drew particular attention when the two candidates competing for the Democratic nomination said they would consider renegotiating the North American Free Trade Agreement (NAFTA). These comments have elicited mixed reactions, with some members of the business community raising concerns that the negotiations could eliminate some of the advantages Mexican exporters have attained during the past 14 years.

Conversely, some groups see this as an opportunity for Mexico to push to restore protections against a surge of US imports that have hurt small-scale farmers. Still, some trade experts and Mexican government officials see very little chance for any comprehensive revision to NAFTA even if a Democrat wins the White House in November.

Debate intensifies ahead of Ohio primary

The debate regarding NAFTA has been present throughout the Democratic presidential campaign in the US this year, but it heated up in the weeks preceding the March 4 Ohio and Texas presidential primaries. In a debate in Cleveland, candidates Hillary Clinton and Barack Obama agreed on the issue, blaming NAFTA for the loss of jobs in industrial states like Ohio. "I will say, we will opt out of NAFTA unless we renegotiate it, and we renegotiate it on terms that are favorable to all of America," Clinton said in reference to the accord, which went into effect in 1994. Obama had a similar response. "I will make sure that we renegotiate in the same way that Sen. Clinton talked about, and I think actually Sen. Clinton's answer on this one is right," Obama said.

The two Democratic candidates did not mention any specific provisions in the accord they would seek to change but talked about the manufacturing jobs that have been moved to Mexico. The candidates only talked about NAFTA and did not mention any other factors related to globalization that could have contributed to the loss of jobs, such as the role of China in the world economy.

The US-based political publication

Politico said the candidates were directing their comments primarily to voters in Ohio, which has lost thousands of industrial jobs from company relocations. In contrast, NAFTA renegotiation was not as big an issue in Texas, which is one of the US states that has benefited most from NAFTA. "This is a dilemma for the Democratic candidates, who have to campaign simultaneously in two states in which NAFTA has had opposite effects," wrote columnist Roberto Mena in the Mexico City daily business newspaper El Economista. The subject of NAFTA was not prominent when Clinton and Obama visited Texas. "The candidates have not exactly stressed that threat [of renegotiation]
in Texas, a state that has the largest inland port in the United States in Laredo and has reaped NAFTA's benefits," said Politico. US Rep. Henry Cuellar (D-TX) agreed that NAFTA has benefited Texas, especially communities along the US-Mexico border, from El Paso to the Rio Grande Valley. "I remember our communities years ago, when we talk about economic development, it wasn’t as developed as it is now. We had high unemployment rates on the border, sometimes even double-digit numbers," Cuellar told The Rio Grande Guardian newspaper. "Now, with the increase in trade, the border has been transformed because this created more jobs."

In the days before the debate, both camps and their supporters alleged that the other candidate was not committed enough to pursuing the necessary changes in NAFTA to reverse the loss of jobs in the US economy. Reports of a controversial memo written by a senior Obama economic advisor circulated just before the Ohio vote. In the memo, an official at the Canadian consulate in Chicago said an Obama economic adviser told him that the free-trade debate in the Democratic presidential primary campaign was "political positioning" and that Obama was not really protectionist.

Canadian Prime Minister Stephen Harper later dismissed the gist of the leaked memo and said the Canadian government "regrets any implication" that Sen. Obama "has been saying different things in public than in private." Clinton sought to exploit the issue before the Ohio primary. "I don't think people should come to Ohio and you both give speeches that are very critical of NAFTA and you send out misleading and false information about my positions regarding NAFTA and then we find out that your chief economic advisor has gone to a foreign government and basically done the old wink-wink, don't pay any attention, this is just political rhetoric," she told reporters aboard her campaign plane. Clinton's sincerity in attacking NAFTA was also questioned, including pointing out her earlier support for it during her husband's administration. NAFTA was approved during ex-President Bill Clinton's government (SourceMex, November 10, 1993 and January 05, 1994). "People react very strongly against NAFTA," said Anna Burger, head of the political program for the Service Employees International Union (SEIU), which has endorsed Obama. "We've seen job loss in this country as a result of NAFTA. She's speaking out against NAFTA now, but she has ties to it. That's been a high hurdle for her to overcome."

Proposal called unrealistic US analysts criticized the candidates for "selling the illusion" that NAFTA can be negotiated. "The idea that the leaders from Mexico and Canada would sit down with the US government to rewrite this agreement is a fantasy," said Dan Griswold of the conservative Cato Institute. "They've really opened a Pandora's box," said Robert Scott, senior international analyst at the Washington-based Economic Policy Institute (EPI), which has been critical of NAFTA and other free-trade agreements. "I don't think they realized what they were getting into."

The biggest concern is that the renegotiation process could prompt the three countries to make unrealistic demands. "The United States might push for Mexico's petroleum industry to be included in the agreement, something Mexico's Congress would never allow," said The Houston Chronicle. "Mexico might push for the free flow of Mexican workers into the United States, something that would never fly with American voters or politicians."

Clinton admitted as much during the Cleveland debate, where she underscored her intention of renegotiating the accord "in terms favorable to America." Mexicans are very concerned that the country could be at a disadvantage following such a renegotiation. "If Mexico requests changes to the accord, it is very likely that the result will not be favorable," agreed Ernesto Lozano, a professor at the Escuela de Graduados en Administracion y Direccion de Empresas (EGADE) in Monterrey.
Mexican officials went so far as to label the US candidates' threats not only impractical but "ridiculous." Said Economy Secretary Eduardo Sojo, "What North America needs is more integration, not less. What is needed in North America is to look to the future, not to return to the past." Some Mexican business leaders argue that eliminating NAFTA or tilting the accord to benefit US workers could have a major negative impact on the US. "Illegal migration would spike and we all know they don't want that," said Cesar Castro, director of the Consejo Nacional de la Industria Maquiladora de Exportacion (CNIME). Still, the discussion of renegotiating the accord has led center-left legislators from the three countries to form a working group to study the issue. Mexican Sen. Yeidckol Polevnsky of the center-left Partido de la Revolucion Democratica (PRD), US Rep. Marcy Kaptur (D-OH), and Peter Julian of Canada's New Democratic Party (NDP) lead this group. Polevnsky said the commitment of both Democratic candidates to revisit NAFTA was a very positive development. "We have to revise the agreement with a vision that ensures that everyone wins, the three countries, business, and workers," the PRD legislator told the Spanish news service EFE.

Agricultural groups see chance to promote changes

Others in Mexico dismissed the idea that the agreement would be renegotiated. "This is only political posturing," said former economy secretary Sergio Garcia de Alba, who heads a business-development program at the Instituto Tecnologico y de Estudios Superiores de Monterrey (ITESEM). There are divergent positions in Mexico on whether the agreement has been good for the country. Among those who support it are former government bureaucrats who helped negotiate the accord and the large business interests, including many in agriculture who have seen their exports to the US and Canada grow significantly since NAFTA was implemented. These are the loudest voices against any renegotiation.

Conversely, organizations that represent small and medium-sized farmers and labor organizations are very vocal about seeking changes in the accord that would reduce the impact of US agricultural imports. These include the Confederacion Nacional Campesina (CNC), the Union Nacional de Organizaciones Regionales Campesinas Autonomas (UNORCA), Campana Nacional en Defensa de la Soberania Alimentaria, Union Nacional de Trabajadores (UNT), and the Frente Sindical Mexicano (FSM). These organizations argue that Mexico is about to become overrun with US imports, which would threaten its food sovereignty. As evidence, they point out that corn imports in January 2008, the month when duties on that commodity were eliminated under NAFTA (SourceMex, January 23, 2008), tripled from the same month in 2007. Some experts say the impact would have been greater if the supply of corn in the US had not become so tight because of the increased demand from the fuel-ethanol industry (SourceMex, December 12, 2007).

Critics of this position say the agriculture organizations are misguided when they advocate for food sovereignty because the market has changed drastically in Mexico in the past several years. "By food sovereignty, they mean that Mexico should produce all the food that it consumes," said Jorge Fernandez Menendez, a columnist for the Mexico City daily business newspaper El Economista. "This is a great ideal. But we have to look at this situation from another perspective, including that 80% of the Mexican population now live in urban areas." Fernandez added, "If we decide, for example, to halt corn imports, we'd have to ask ourselves where we would get enough supplies to meet demand because we do not produce enough." And some agriculture interests, such as the
livestock and poultry industries, support an increase in grain imports, since this helps reduce feed costs.

The poultry industry has strongly objected to any significant NAFTA renegotiations, since the agreement helped them forge closer ties with US counterparts. These ties, they argue, helped the industry negotiate a delay in the full opening of the Mexican market to US imports. The delay, negotiated in 2003, helped Mexican producers better prepare for the influx of US poultry products (SourceMex, January 29, 2003). President Felipe Calderon’s administration also argues that Mexican producers have nothing to worry about. In testimony to the Chamber of Deputies, Economy Secretary Sojo pointed out that imports of sugar, beans, and powdered milk declined in January.

Beyond agriculture, Mexico has had other problems with NAFTA, such as the supremacy of investor rights over the ability of local governments to impose regulations. One prominent case involved the California-based company Metalclad in a dispute concerning the construction of a hazardous-materials site in San Luis Potosi state (SourceMex, September 13, 2000).

The Mexican high court (Suprema Corte de Justicia de la Nacion, SCJN) attempted to correct this problem with a 2007 decision indicating that Mexico's Constitution takes precedence over any international treaties (SourceMex, February 21, 2007). Mexicans also question whether NAFTA is serving the interests of Mexico if the US continues to ignore selected provisions. They point out, for example, that the US should have allowed Mexican truckers to haul cargo throughout the US in January 1995. The US Congress continues to block full access to Mexican truckers despite efforts by the US government to address concerns dealing with safety and the competence of drivers (SourceMex, February 28, 2007 and September 12, 2007). The US for many years also failed to comply with its NAFTA commitment to buy all of Mexico's surplus sugar production, beginning in 2000 (SourceMex, May 31, 2000, August 09, 2000 and March 06, 2002).

Supporters say NAFTA has benefited Mexico Even with the agreement's shortcomings, NAFTA critics in Mexico have stopped short of proposing to scrap the agreement entirely. Rather, they are pushing for comprehensive changes to mitigate its bad effects in Mexico. Many NAFTA supporters say that on balance the accord has been favorable to Mexico. Private consultant Luis de la Calle, who helped negotiate the agreement during the administration of former President Carlos Salinas de Gortari, said Mexico's exports to the US have quadrupled to about US$280 billion per year since the agreement went into effect in 1994. "When people look back, they will divide Mexico's economic history into two parts," he told the London-based Financial Times. "Pre-NAFTA and post-NAFTA." De la Calle noted that the US has benefited from the agreement as well, increasing its exports to Mexico to US$136 billion in 2007, compared with US$41 billion in 1993.

That increase, however, has displaced some Mexican products on the domestic market. For example, before NAFTA went into effect the preferred sweetener in Mexico was sugar. That product is increasingly being replaced by high-fructose corn syrup (SourceMex, January 16, 2002 and December 07, 2005). Some experts point out that NAFTA has contributed to a surge in the number of jobs in Mexico but not in sufficient numbers to fully support the Mexican economy. Gustavo Vega, director of the Centro de Estudios Internacionales at the Colegio de Mexico (COLMEX) in Mexico City, estimates that 2 million jobs were created in Mexico as a result of NAFTA between 1995 and
2001. "But we need a million every year. It is not enough," he told The San Diego Union-Tribune. Many of the jobs created in Mexico as a result of NAFTA have been in the manufacturing sector.

In contrast, some critics counter that employment in agriculture and other rural activities has been cut in half as a result of the accord (SourceMex, February 27, 2008). Vega said other factors contributed to mitigate the positive effects of NAFTA, including a slowdown in the US economy following the attacks on the World Trade Center in New York and the Pentagon in Washington on Sept. 11, 2001, and the rapid expansion of China in the North American market. Chinese exports have displaced Mexican exports to the US and have also flooded the Mexican market with illegally subsidized products (SourceMex, March 07, 2007).

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