PROMISES, PROMISES: PROMOTING, DEBATING, AND LIVING WITH NAFTA

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ABSTRACT

The purpose of this study is to deepen scholarly understanding of the ways that the historical realities of the US-Mexico commercial relationship continue to manifest themselves in modern times. It is nothing short of ironic that two countries sharing an extensive border and having many shared economic and security interests have not yet managed to foster a truly positive and mutually beneficial political and economic relationship. The US-Mexico border fence continues to be built-out and reinforced, and the two societies continue to publicly point fingers at each other over shared problems like immigration and drug violence. The North American Free Trade Agreement (NAFTA), arguably the most prominent symbol of US-Mexico relations in the modern era, is often the target of criticism for failing to achieve the grandiose milestones for the relationship that were outlined in political rhetoric by leaders on both sides of the border as it was negotiated. While remaining largely ignorant to the actual terms laid out in the NAFTA text, mainstream society on both sides tends to believe the other economy benefited from the agreement, at their expense.

This thesis elaborates on and explains some of these ironies, by examining the perspectives on both sides of the border at some essential points in modern history. The first is the years leading up to the signing of the NAFTA when the hopes and fears of an expanded US-Mexico relationship were outlined by politicians, the second is the lead-up
to the elections of Presidents George W. Bush in the United States and Vicente Fox in Mexico in 2000 when ideas about a possible North American Union were raised and seriously discussed, and the third is the most recent timeframe (2008 financial crisis until the present) which has most clearly demonstrated the character of US-Mexico commercial relations in the post-NAFTA environment. The methodology employed is an examination of what Americans and Mexicans of various walks of life (political leaders, corporate representatives, general laborers, farmers, etc.) were saying about each other at these moments, in particular what they were articulating they most hoped or feared about the evolving bilateral relationship in the late 1990s, early 2000s, and then 2008 to the present day.

The thesis concludes that the lead-up to the NAFTA and the lead-up to the Bush-Fox elections were both essential moments of opportunity for the United States and Mexico to forge a productive and mutually beneficial relationship. In those moments, there were two different sets of expectations on either side of the border about what this relationship should look like and accomplish over time. It is clear that, in both cases, the countries failed to address and come to terms with social elements of the relationship, which has had a negative impact for all, but especially for Mexico. The militarized border, drug violence and resulting instability in Mexico are now enduring fixtures of the relationship today, reminding us that the vast economic divide that existed between the two countries before the NAFTA was penned were too compelling to have gone unaddressed. Today, Mexico’s economic opportunities are firmly affixed to the tides of the US economy, while the United States has a variety of other commercial interests that
it has prioritized above Mexico, including Asia (e.g. China) and various on-going security challenges in the Middle East.

The thesis further concludes that, in order to properly address on-going shared social issues between the United States and Mexico, political leaders on both sides will have to agree once more to make the regional relationship and alliance a priority. In addition to the action President Barack Obama took on immigration in 2015, it is time that the United States acknowledged itself as service economy that is heavily dependent on foreign labor and thus move to raise the currently unrealistic numerical caps on non-agricultural temporary workers. The United States can also make the current program for temporary agricultural workers less onerous for employers and more attractive to workers. The two countries could also state as a policy goal the creation of a Customs Union with common external tariffs, which would begin with industry-wide agreements. They might also consider creating a financial stabilization fund with contributions from the three governments to be drawn upon in case of serious exchange rate fluctuations in the future. Proposals to jointly plan and fund international highways, border crossing points and ports are also promising and worth considering. In addition, plans to develop a North American electrical grid and facilitate the permitting procedures for cross-border electricity lines and gas and oil pipelines in a manner similar to what the European Union does would also make a lot of economic sense for both sides. The most important suggestion of all to facilitate greater cooperation in the region, which seems to be inevitable, is for political leaders in North America to offer a unified vision of the future to their citizens. The vision need not be complete in every detail, but it must offer the
hope of a future in which the three countries will live their national lives in greater cooperation with their neighbors.
EPIGRAPH

The huge US-Mexican border connects two vastly unequal regions. It is both the paradoxes are endless – the most porous border in the world and the most heavily guarded. It is a line that separates and unites two cultures, two languages, two economies.

Marcelo Suarez Orozco 1999
DEDICATION

The research and writing of this thesis is dedicated to everyone who helped along the way. In particular, I want to acknowledge my professor, John Tutino, for being a steadfast source of deep domain knowledge on US-Mexico affairs and history, as well as an inspiration to continue on and finish the doctoral program. Dr. Tutino is a world-renowned and deeply respected historian, and so it was my great privilege to spend so much time under his tutelage over the years. I also want to thank Drs. Frank Ambrosio and Terrence Reynolds for being such effective champions of the DLS program and interdisciplinary study at Georgetown and across the nation. They recognized much sooner than other academics that working across disciplines and infusing them with unique analyses and ideas from outside the traditional academic silos would be essential to intellectual innovation, and that it would prepare leaders to make significant discoveries and global impacts. Their infusions of philosophy, theology and deep inquiry into the values issues associated with the intellectual pursuit of truth was invaluable in shaping both my character and worldview as a young adult. I also want to recognize Assistant Dean, Anne Ridder, for working largely behind-the-scenes to ensure that the graduate Liberal Studies programs remain of the highest quality, both in terms of content and students engaging in it. Finally, I sincerely thank my family, including my parents, Michael and Patricia, my husband Tony and my children, Maxwell and Alice, for providing me the personal motivation to reach this achievement.

Scholarship is a way of being both curious and disciplined. I share my life and my scholarly endeavors and achievements with my family.

Many thanks,
Erin Waldron Grossi, MALS
# Table of Contents

COPYRIGHT .......................................................................................................................... ii

ABSTRACT ........................................................................................................................... iii

EPIGRAM ............................................................................................................................... vii

DEDICATION ........................................................................................................................ viii

INTRODUCTION .................................................................................................................. 1

CHAPTER I: PRE-NAFTA HOPES AND FEARS IN THE US AND MEXICO ….. 12

  Political Impetus for the NAFTA in the United States ............... 16

  NAFTA as a Means to Bolster Exports, Increase Jobs and Curb Illegal Immigration .......... 20

  The NAFTA to Stabilize Democracy in Mexico ......................... 23

  Political Impetus for the NAFTA in Mexico .............................. 26

    NAFTA as a Bridge to the Global Economy ......................... 38

  NAFTA Opposition in the United States ................................. 42

    Fear of Increased Immigration to the United States .......... 51

    Fears About Maintaining Sovereignty in the US and Mexico ... 59

  NAFTA Opposition in the United States ................................. 70

    Fears of US Commercial Dominance ................................. 70

    Fears of Losing Land Rights .............................................. 78

CHAPTER II: REALITIES OF NAFTA: ACHIEVEMENTS AND NEGLECTS ..... 91

  The NAFTA’s Key Chapters and Principles ............................ 99
INTRODUCTION

The text of political speeches by both US and Mexican officials about the signing of the North American Free Trade Agreement (NAFTA) are stirring in their convictions that the trade pact was ushering in a new era of global economic relations, led definitively by the North American region. Even though goods trade between distant groups of people dates back to ancient times and politically-organized trade between defined nation states under the General Agreement on Tariffs and Trade (GATT) stretches back to 1947, North American politicians were adamant in the mid-1990s that NAFTA was a “defining moment” for the signatory nations and indeed for the entire world. When the NAFTA was signed in December of 1993, then US President Bill Clinton gave a speech where he said, “I believe we have made a decision now that will permit us to create an economic order in the world that will promote more growth, more equality, better preservation of the environment, and a greater possibility of world peace” (Clinton 1993, 3). Mexico’s President at the time, Carlos Salinas de Gortari, used equally lofty language to describe what was actually being achieved by the NAFTA agreement. In a Commencement address to graduates from the Massachusetts Institute of Technology (MIT) the year the NAFTA was signed he said it was “…a job creating agreement, …an environment improvement agreement, … a wage-increasing agreement, …[and] a migrant reduction agreement” (Salinas 1993, 2) that signaled “…a tremendous change in the world” and challenged rising professionals to “…make a transformation, perhaps the most important of your life” (Ibid., 3).

The language used by the most powerful politicians in the region to describe the NAFTA was both powerful and unambiguous, which signaled to general publics of the United States and
Mexico that would be impacted by it that something significant would happen. However, since most people outside of elite, corporate circles could not access copies of the trade agreement to learn exactly what was on the international bargaining table, they were left to speculate on whether and how the agreement would actually touch their daily lives. The chasm between the political rhetoric and average citizen’s ability to translate it into tangible and relatable information created a lot of room for anxieties to develop and speculation to take hold.

Ethnographer, Ann Kingsolver, describes the public dialogue developing and emerging at the time saying, “As NAFTA stories representing nationalist, neoliberal, capitalist visions of prosperity for all were being told, other stories representing racialized stereotypes and threats on the lives of migrant workers also circulated” (Kingsolver 2001, 3). As Liliana Goldin explained, “A xenophobic environment has developed parallel to one that presents multicultural affirmations at the national level [in the United States]” (Goldin 1995, 8).

Kingsolver and Goldin were just a couple of the many scholars observing the results of the undercurrent of fear amongst laborers in the United States who, having already endured the stagnation of wages and limiting of their rights in the decades preceding the NAFTA, were terrified about competing with the “other,” in this case low-wage earning Mexicans. In “Myths and Realities: The North American Free Trade Agreement,” a pamphlet published by the US Trade Representative’s Office, then Trade Minister Carla Hills addressed some of the questions the government knew were circulating in the minds of the public on the NAFTA. Some of these questions were, “Will Mexico’s lower wages and workplace safety standards encourage US companies to Move to Mexico?...Will NAFTA increase immigration from Mexico?...Will anything be done to help displaced workers?” (Kingsolver 2001, 13). The questions reflected
genuine concerns US citizens had at the time about their government potentially negotiating away their industries and livelihoods behind closed doors. Many were concerned their interests were not going to be protected or strengthened by an agreement. Since the document itself was largely unavailable, the stories that circulated about its contents and possible consequences mattered all the more. The problem was, the sources of these stories were often in direct conflict about the contents and implications of the Agreement, and because readers or listeners, and perhaps those making the arguments themselves, were not directly consulting the document, the charisma of particular stories and speakers often made all the difference in shaping perceptions of it.

Mexican laborers were, of course, no less concerned about the potential impacts of direct competition with better-resourced and technologically superior counterparts in the North. While their politicians were equally as strident as those in the United States about the benefits of the agreement, most of the people that would be impacted by it were kept distanced from the actual negotiations. In 1992, the Alliance for Responsible Trade and Citizens Trade Campaign, a counterpart NGO to the *Red Mexicana de Accion Frente al Libre Commercio* (RMALC) wrote a letter to then President-elect Clinton, expressing some of their shared concerns about NAFTA including that, “The agreement undermines US jobs, wages, and working conditions and perpetuates the suppression of worker rights in Mexico…The agreement threatens the survival of family farmers, farmworkers and their rural communities…[and] The agreement promotes trickle-down economics for Mexico, which will perpetuate low wages and an unequal distribution of income” (Alliance for Responsible Trade et al. 1992, 1). The concerns and arguments raised by this organization and others like it were at once clear, direct, and equally as
strident as all of the political language promoting the values and benefits of the agreement was at the time.

While anxieties were being expressed by the large groups of laborers on either side of the border by those that would be impacted by the NAFTA, an article in the *Economist* in 1993 sported a photograph of President Clinton in a baseball cap that read, “NAFTA, WE HAFTA.” Why did the politicians of the day view the agreement as crucial when the United States already had a free trade agreement in place with Canada, and when Mexico’s economy at the time represented only about five percent of the combined US and Canadian economies? The answer is that NAFTA was part of a larger trade liberalization agenda that was being debated by elites at the multilateral level of global affairs in the Uruguay Round, and was fueled by neoliberal economic philosophies that stipulated free trade would inevitably translate into increased jobs and markets. The economic arguments for free trade are quite complex, but in general draw upon the “theory of comparative advantage,” which states that global economic productivity and output will be maximized by entirely open international trade competition (Marshall 1993, 1). That said, politicians and trade experts are most certainly were aware at the time that over the short or even medium term horizon, it can often be in the best interests of the overall economy for some industry or economic sectors to remain protected. This is precisely why the question of international tariff levels to be applied are always politically divisive issues within countries, since they ultimately determine whose jobs and markets will be open to increased international competition. It is a fact that competition aims to produce winners and losers; therefore, the question of who receives protection from it, in effect deferring potential losses to some future date, is a matter of great importance to decide.
The decisions made on tariffs, and ultimately the near and medium-term winners and losers in the North American market are captured in the arcane text of the NAFTA agreement. The text is hundreds of pages and contains some basic chapters with agreements governing goods trade, investment, intellectual property, and other provisions. While most of the agreement text is unremarkable, there are a few areas where trade specialists feel the NAFTA set a new standard for future agreements to meet. The most significant aspect of the NAFTA, for all of the passionate debates and analyses of it that were generated before and after its passage, is that it marked the first time two developed nations agreed to freer trade and competition with an underdeveloped one. For those who accepted and championed neoliberal economic theory, including the vast majority of government leaders of the United States and Mexico at the time, the NAFTA was a sign of their faith in the ultimate benefits it would generate for the regional and global economy. The most powerful support for the agreement in the region came from transnational corporate administrators who could take advantage of the reduced restrictions on international commerce and would profit from the reduced tariffs. It was really left to these wealthy constituents to translate those profits into increased wealth and job opportunities for the lower classes, as the NAFTA left out any formal social welfare provisions, including for instance to allow the free movement of labor as an adjustment measure in the aftermath of the agreement.

So what were the results? Reviews of what the NAFTA ultimately allowed the individual countries and the region at large to “achieve” economically in the 21 years since its passage are decidedly mixed and depend largely upon the ideology of the sources, very much like the original arguments for and against the agreement’s passage in the first place. It is complex and largely artificial or theoretical work, often done through software-generated algorithms and
models, to determine what elements of the trade text actually translated into jobs gains or losses, or similar impacts on income. Most generally agree that the volume of trade between the countries of the region, which had already been on the rise since the 1940s, did increase substantially in the years following the NAFTA’s passage. In terms of remarkable industry impact, Mexico’s agricultural sector was a significant casualty of the agreement, with job losses sustained in the millions. These losses correlate positively with a corresponding increase in illegal migration of agricultural workers and families to the United States in the decades following the agreement as well. Most accept that the NAFTA caused Mexico to lock-in reforms that were underway in advance of the agreement to shift the country away from an insular, agricultural-based economy to an export-led one concentrated in cities, largely near the border, and on manufacturing industries as well. The United States faced some labor adjustments too, but the impacts are generally considered to be less profound and perhaps resulted in a modest net-increase in employment overall.

Much of the debate since the NAFTA was passed has focused on its results and achievements, or lack thereof and often has more to do with issues that were not captured in the actual agreement text, but have tangential relevance to it. People recall the grand rhetoric and promises made by politicians about the better world that the NAFTA was going to create and wonder why Mexico collapsed into financial crisis just one year after the agreement went into effect. They question why illegal immigration to the United States continues to rise and why drugs are a growing security concern for both countries, with very little visible international cooperation on these issues to speak of. These types of analyses, which demonstrate a lack of awareness about the actual text of the NAFTA agreement, further suggest that the public’s hopes
for regional integration are out of synch with the limited design of a free trade pact. After all, the government officials and corporate elites involved from all three countries in framing the NAFTA never considered creating a Customs Union with social protections and international adjustment protections along the lines of the European Union. The reason it was not considered is largely a result of genuine fears in the region, about increased economic competition, and loss of sovereignty to each other, particularly since the three nations did not regard each other as equals. This is one of the greatest paradoxes associated with the NAFTA: that fears of the disadvantages of creating a more inclusive political union in the region resulted in a significant limiting of the agreement to the basic advantages that could be gained through simple tariff reductions, for the most part.

While many regional and global events have transpired in the decades since the NAFTA’s passage in ways that have shifted the economic landscape for the US and Mexican populace, it is clear that challenges to increased cooperation still exist. Some of those significant events include the 1995 peso crisis in Mexico and the 2008 financial crisis that began in the United States, the rise of China as a global competitor, as well as the on-going wars the United States has been leading in the Middle East, which poses shared security challenges. While there has always been skepticism about international trade, the general publics of both countries are increasingly aware and informed about some of the harsher realities associated with international commerce and trade today. In turn, large swaths of people in the region and indeed globally have become even more disillusioned and cynical about the proposed benefits of trade. The political and economic elites of global trade, recognizing the fragility of the global economy and perhaps their neoliberal economic philosophies as well in the wake of the recent global financial
recession, have begun to acknowledge that the public debate really must become more nuanced and frank about which precise industries and exactly who the winners and losers of increased trade are likely to be. For instance, in the NAFTA, it was most definitely predictable that corn producers in Mexico were going to suffer as a result of the agreement. The government officials crafting the trade text and putting under-resourced corn producers in Mexico in direct competition with well-resourced and heavily subsidized farmers in the United States certainly could have anticipated that for many such producers, especially those working on ejido lands, this agreement would mean the loss of livelihoods and loss of lives. The fact that there were no provisions for free movement of labor under these circumstances is clearly a political question, debated and answered at the international negotiating table, but it is also a deeply moral question. Therefore, it is important that trade authorities and corporate leaders recognize and acknowledge that increasing cooperation in order to facilitate economic adjustment in the wake of trade agreements and ensure that displaced industries and workers are not overlooked and left behind in the course of highly competitive economic transitions is the right thing to do for all. It also makes good economic sense to conduct international trade and business in an ethical manner. In many ways, it seems that the philosophies of international trade are evolving. Still, more focus on trade adjustment support and the best ways to provide early warnings to impacted segments of economies is needed.

While insights like these fuel hopes for some that a true North American Union may one day be attainable, the fact is many political challenges still exist to even lesser goals, such as achieving immigration reform. Though volumes of information on the topic was generated during the George W. Bush and Vicente Fox era, a time when enthusiasm for increased regional
cooperation was at an all-time high, ultimately proposed immigration reform measures of the day were shelved given political pressures from wealthy corporations on both sides of the border who continue to benefit from a situation that keeps labor in a compromised position and thus ensures wages remain low. Ironically, the suppressed wage situation, particularly in Mexico, does seem to finally be reigniting investor interest in the economy today, after more than a decade of neglect in favor of even lower wage opportunities in China and emerging Asia. As China has continued to progress rapidly up the wage scale, Mexico managed to pull even with the country in 2012 and is now considered to be lower than China from a labor-rate perspective, a fact that is drawing multinational corporations back to the country in droves, particularly in the retail, energy and auto sectors.

With economic interest typically comes political interest and, after a significant hiatus from foreign policy discussion in the United States, Mexico is now hitting the radar once again. While President Barack Obama’s Administration has few credits with respect to improving relations with Mexico during its two terms, he recently signed an Executive Order that, among other things, would grant temporary legal status to millions of currently undocumented migrants who have children that are US citizens or legal residents, so that they can avoid deportation and attempt to receive documents to work legally in the United States. President Obama also acknowledged that the current immigration situation at the border is unjust and unsustainable, and vowed to continue to focus on it and cooperate with Mexican officials to improve it. The Executive Order is highly controversial and has been directed to the US court system to determine its legality, so it is no wonder the skeptics believe nothing has really changed between the two countries. While it’s understandable that many are skeptical and cynical about the future,
based on the injustices that have occurred in the past, particularly against Mexican migrants who have borne the brunt of the economic adjustments in the region, with no social safety net to protect them, those who believe in the benefits of increased cooperation between the two nations cannot simply give up. Indeed, as renowned Mexican historian, John Tutino, writes in an Introduction to a book he edited, entitled, *Mexico and Mexicans in the Making of the United States*, what the history of the US-Mexican relationship reveals is that “…Mexico is not ultimately ‘other’ to the United States; Mexicans are not ‘invaders’ of the United States. Rather, Mexico and Mexicans have been key participants…in the construction of the United States – our prosperity, our power in the world, our promise of inclusion, even our ways of segmentation and exclusion” (Tutino 2013, 7). He concludes with the insight that, “Mexico and Mexicans are essential parts of ‘us,’ not an alien of ‘them,’ despite the persistent insistence of so many of us in imagining an alien and invasive other” (Ibid.).

There is no time like the present for the politicians of the region to re-visit the many positive and feasible recommendations for increased union that have been generated in the past and reviewed particularly rigorously in the Bush-Fox era most recently. Many remain relevant and important today. From immigration reform measures to joint-funding for infrastructure projects with mutual benefits, there are a number of heavily documented suggestions that well-intentioned leaders could pursue at any time. The fact is the history of the relationship between the United States and Mexico is substantially long and vast, and filled with complex ironies and paradoxes. So, it is likely that, as competition between North America and Europe and Asia increases on the global stage and international commerce continues to draw the United States and Mexico together more closely, many of the same problems and paradoxes will continue to
emerge and unfurl in political and public circles. The national fabrics of the two nations are diverse and heterogeneous, which makes the challenges of even identifying their respective goals and intentions for global economic cooperation impossible to manage, let alone satisfy. That said, there is much to be learned from the NAFTA experience and analyzing the hopes and fears expressed by the different constituencies of the United States and Mexico about the agreement can lead to improved political and economic actions that actually do spread the benefits of integration more broadly and result in less pain for the inevitable “losers” in the overall competition that is induced and increased by international commerce and trade.
CHAPTER I

PRE-NAFTA HOPES AND FEARS IN THE US AND MEXICO

It is indisputable that the signing of the NAFTA in 1994 was a defining moment in the history of US-Mexico relations. Never before had countries with such disparate levels of economic development merged their economies with so few conditions attached to the merger. Carol Wise indicates in her book, *The Post-NAFTA Political Economy: Mexico and the Western Hemisphere*, bipartisan proposals for a trilateral economic partnership between Canada, Mexico and the United States first surfaced in 1979 within the US Congress and the National Governors Association. However, it was presidential candidate Ronald Reagan who garnered more serious attention to the idea by making the pursuit of a “North American Accord” a major element of his 1979-80 electoral campaign. At the time, Wise writes, “neither Canada nor Mexico responded with any enthusiasm, citing historical concerns about heavy US influence over both countries, and fear of being swallowed up by powerful US competitors” (Wise Ed. 1998, 7).

Canada changed its mind in 1985, perhaps under pressure from Canadian firms recognizing that assured duty-free access to a large market would be a significant competitive asset. Whereas in 1984, then candidate for Prime Minister, Brian Mulroney, gave a major speech saying, "Free trade affects Canadian sovereignty and we will have none of it, not during the leadership campaign or at any other time (Niskanen 1987, 6),” just one year later he met with President Reagan at the Shamrock Summit in Quebec City and agreed "to give the highest priority to finding mutually acceptable means to reduce and eliminate existing barriers to trade in order to secure and facilitate trade and investment flow (Ibid.)." Maxwell Cameron and Brian Tomlin explain in their book, *The Making of NAFTA: How the Deal was Done*, the events
leading up to Mexico’s change of heart some years later in 1990, after the US and Canada concluded their free trade deal, which they say was ultimately determined by Mexico’s failure to attract interest in its market at the World Economic Forum in Davos in 1989. They write, “Throughout the series of meetings at the Swiss resort, the Mexicans were unable to generate any enthusiasm among the Europeans about the attractions of Mexico as an investment destination” (Cameron and Tomlin 2000, 62). Given Mexico’s enormous need for private investment, then President Carlos Salinas realized that the idea he had been considering for several months – the establishment of a bilateral free trade area with the United States – offered a way to make Mexico more of a magnet for foreign investment.

Carol Wise is substantially blunter in assessing the series of events that unfolded to make the trade agreement possible when she writes, “NAFTA, in essence, was a fallback position for all three partners” (Wise Ed. 1998, 10). Her point is essentially that Mexico was in a desperate search for investment in the midst of the damage created by its 1982 debt crisis. Similarly, the United States was failing to attract international attention and struggling to push the Uruguay Round forward, despite its best attempts to negotiate a bilateral accord with Canada while maintaining a stance of selective protectionism towards various other trade partners. Cameron and Tomlin offer a similar depiction of events, though they argue that Mexico was ultimately the most insistent party about getting a bilateral trade agreement struck with the United States. “The Mexicans had examined all the alternatives and had decided that they preferred NAFTA to anything else available to them” (Cameron and Tomlin 2000, 124). Mexican leaders were ultimately convinced that Mexico needed the United States so much more than the United States needed Mexico, which factored into their negotiating strategies during the NAFTA talks.
Cameron and Tomlin indicate that Mexico was singularly focused on the gains that were offered by a prospective trade agreement and its leaders were risk-averse to achieve them. The negotiated result were the substantial concessions that Mexico was willing to make to get an agreement and achieve access to the US market, albeit concessions that might have been made unilaterally to send a signal to the international community, and especially foreign investors, that Mexico was open for business.

An analysis of the NAFTA text reveals the agreement is about as straightforward as the stated reasons behind the country’s desire to forge the agreement. It is a big deal, only in the sense that the document itself is one and half inches thick, consisting of more than one thousand pages of text organized into twenty-two chapters, with numerous annexes, plus supplemental agreements on the environment and labor. When Canada and the United States negotiated the original free trade agreement, signed in 1988, the extensive market liberalization provisions had been a radical policy departure for the two nations. However, when Mexico joined the negotiations for the NAFTA four years later, the text largely reflected routine trade policy. The NAFTA is relatively modest and also narrowly focused on economic aims, including catalyzing trade in agriculture, autos and other goods, and increasing investment and employment in the region. With the potential exception of the goal to strengthen environmental laws, which was ultimately attempted in a side agreement to the NAFTA accord, all of the objectives were firmly rooted in basic industry and trade concerns.

The relatively uncomplicated nature of the actual agreements that were made in the NAFTA, while masked in complicated legalese and trade speak, makes it all the more interesting to assess the massive groundswell of debates that have taken place in both the United States and
Mexico before, during and since the negotiations, which also traverse political, philosophical, and academic spheres, as well as common, working class ones. It seems that everyone has an opinion and point of view about the NAFTA, including the reasons it was undertaken in the first place, what it has achieved or failed to achieve, harms that it has inflicted on either the United States, Mexico or both countries, and what the agreement symbolizes overall in terms of US-Mexico relations.

The dichotomy between the fairly mundane structure of the NAFTA and the highly diverse nature of the conversations around the agreement beg for analysis in terms of what Americans and Mexicans have expressed that they either want or do not want in terms of a relationship with each other, and what has actually transpired in the process of negotiating the terms of a relationship. The situation seems rich with irony. Perhaps because it was debated in the midst of a severe recession, the agreement touched off a major debate in the United States, where the fears of a flood of goods produced with low-cost labor generated widespread attacks from labor organizations, environmentalists, and import-sensitive industries. One irony there is that the agreement was only structured to approve the movement of goods and other sources of capital, it did not govern the movement of people the way the European Union agreement did. It is also ironic because it was clear from the start that it was not the Americans who stood the greatest chance of dangerous dislocations as a result of the deal.

The NAFTA broke new trade policy ground because it brought emerging Mexico into a trade agreement that originally had been crafted to govern trade relations between two advanced industrial economies. And yet, although Mexico was afforded some latitude in the agreement for adjustment to a liberalized relationship with the more efficient and productive economies, it was
the United States that secured for itself not only broad access to the Mexican market, but also a number of safeguards that would permit it to manage the changing trade relationship in its favor. The agreement for the US and Canada was largely an extension of provisions that already existed in their bilateral trade agreement; for Mexico, the NAFTA was a bold, even blind, leap of faith. Former Mexican President Porfirio Diaz once lamented that Mexico was “so close to the United States and so far from God.” For better or worse, the NAFTA brought Mexico even closer to the United States. (Cameron and Tomlin 2000, 33). The curious thing about the nature of this “closeness,” in real terms, is how far from the actual stated desires of the two country’s constituencies it seems to be. A diversity of opinions about the US-Mexico relationship, in terms of its maturity today and where it could evolve to in the future certainly exists. However, thought-leaders from both countries have proven themselves capable of articulating visions of a relationship that is mutually reinforcing and beneficial. Some of their testimonies in the public domain during the negotiating process for the NAFTA were positively hopeful about what the Agreement could achieve for all peoples in the region. It is in careful examination of these testimonies, in contrast to the actions taken at the negotiating table for the NAFTA, as well as a review of the NAFTA’s actual achievement record, that we may truly discover and unpack the paradoxes that define US-Mexico relations.

**Political Impetus for the NAFTA in the United States**

The NAFTA as a Catalyst for the Uruguay Round

By all accounts, the United States had several political reasons to agree to Mexico’s request to open bilateral free trade agreement negotiations. The most often cited one was the setbacks the American negotiating team were facing in their efforts to push forward the
multilateral Uruguay Round negotiations within the World Trade Organization (WTO). In the late 1980s, when the WTO negotiations were still moving along steadily, then President George H.W. Bush had to be persuaded to divert some resources and attention to the free trade agreement with Mexico. During the summer of 1990, Carla Hills, who would eventually lead the US negotiating team for the NAFTA, and former US Trade Representative Clayton Yeutter, argued inside the administration that while pursuing NAFTA was a good idea, it should not be taken up until after the conclusion of the multilateral trade round (Cameron and Tomlin 2000, 69). Opposing them was a Texas triumvirate – Secretary of State James Baker, Secretary of Commerce Robert Mosbacher, and Lloyd Bentsen, Chair of the Senate Finance Committee, the same group that needed to approve fast-track negotiating authority for the NAFTA in order for negotiations to move forward. By August, the president had been persuaded by this powerful political constituency to proceed, and the White House announced that Bush would soon notify Congress of his intention to negotiate a trade pact with Mexico (Ibid.).

When the NAFTA talks first opened then, Trade Minister Carla Hills and her deputy Jules Katz, were moving slowly, their attention still very much fixed on the WTO talks. However, events took an unexpected turn in December 1990 when the GATT ministerial meeting in Brussels took a turn from the expected result of a clear conclusion to the Uruguay Round. Instead of an end-game resulting in agreement, as had been planned by the US negotiating team and others, the meeting produced an impasse when the United States, unable to convince the European Community to make a more substantial offer on agriculture issues, announced that it would not negotiate further on the other issues on the table and the talks came
to a standstill (Koh 1992, 155). With the multilateral discussions deadlocked, the proposed negotiations with Mexico assumed greater urgency and a higher profile in Washington.

Some analysts point out that having the NAFTA to fall back on was actually a strategic asset for the United States in its efforts to get the Uruguay Round completed to its satisfaction. By pushing The European Community to do more on market access at the WTO table and then turning its attention to trade with closer neighbors, the United States essentially raised the stakes for all countries to get a multilateral deal accomplished. Espinosa and Noyola indicate in Coming Together? Mexico-US Relations that free trade with Mexico was highly consistent with the United States’ international trade agenda; the US believed NAFTA could be a catalyst for the larger trade negotiation, especially in agriculture, and could “improve the competitiveness of the American economy” by giving it access to the other markets in the region as a counterbalance to European and Asian competitors (Bosworth, Collins, and Lustig Eds. 1997, 29). Mickey Kantor, then US Trade Representative, made statements in a press conference held in the summer of 1993, completely revising earlier US government trade authority stances that the Uruguay Round should trump any bilateral deal. This time, the rhetoric used was that it was imperative the negotiating teams for the NAFTA strengthen the Americas as a trade area before the negotiations of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) could be successfully completed. Kantor announced that the North American Free Trade Agreement and the side accords must be approved in a timely way and that the whole world was watching to see how negotiations were going (Notimex 1993, 37). Indeed, Europe and other countries observed with great interest the way that the NAFTA expanded upon initiatives captured in the multilateral agreement, with regard to services trade and trade-related intellectual property rights (TRIPS), in
particular. As the US Congressional Research Service noted in its 2013 review of the achievements of the NAFTA, one of its legacies is that the Agreement would become a template for a new generation of trade agreements negotiated by the United States, including several provisions in the Uruguay Round (Villarreal and Fergusson 2013, 2).

A separate but related strategic and political reason for the United States to pursue the NAFTA was to strengthen its economic ties in the hemisphere as a means of competing more effectively with the European Economic Community (EEC) that had been in force since 1957. Economist Jeffrey Tucker indicates that the NAFTA was as much about protection as it was about catalyzing new trade flows. He notes that in the imaginations of neoliberals from Washington, the treaty would give “us,” meaning the United States, Canada, and Mexico, a boost of market power over “them,” which was Europe and Asia, that would allow “us” to compete and win in the global competition for markets and resources. Tucker states, “The point of the NAFTA was to allow ‘us,’ which really means the government and its most connected banks and corporations, to throw ‘our’ weight around the rest of the world” (Tucker 1996, 1). Indeed, political leaders in the United States in the lead-up to the NAFTA negotiations spoke publicly about their desires to create a trade bloc area beyond the United States and Mexico to compete with the solidifying European Union and other large trading entities in the world. Joining forces to compete more successfully in the global economy was an idea that Mexican neoliberals also shared. Between two meetings of the trinational NAFTA negotiating teams in July 1993, one in Cocoyoc, Mexico and the other in Ottawa, Canada, President Salinas met with Alfredo Christiani, the president of El Salvador, and made a public statement that “it is necessary to establish through our relations a new point of departure in the construction of a new region,
united in its interests, respectful of its sovereignty, joined by its roots, and yet at the same time, recognizing its diversity” (Lomas 1993, 10). In that one statement, Salinas captured the prevailing sense of shared purpose and ambition that the United States and Mexico both had at the time, which was driving them to pursue the NAFTA agreement. It also reflected a shared sense of political defensiveness in forging this strategic alliance against other economies in the world. The dual intentions to join forces in commercial competition within the global economy, but to also remain separate and distinct from each other in most other ways were the oppositional political philosophies that laid the foundations of the regional trade agreement. This foundational thinking is also curious in that while the United States and Mexico were committed to competing with the European Union more effectively on the world-stage, they did not embrace the EU’s integrative approach to achieving its own commercial position in the world.

**NAFTA as a Means to Bolster Exports, Increase Jobs and Curb Illegal Immigration**

Proponents of the NAFTA in the United States most certainly touted the economic benefits, particularly for American businesses and workers, but also the ability to reduce income disparity in the North American region at large, as reasons to pursue the regional free trade pact. Economists Gary Hufbauer and Jeff Schott indicate that including Mexico in a regional free trade agreement was of interest to the United States because, in addition to its potential to shake-up the stalled Uruguay Round, the US viewed NAFTA as an “economic opportunity to capitalize on a growing export market to the south and a political opportunity to repair the sometimes troubled relationship with Mexico” (Hufbauer and Schott 2005, 2).

The only thing that seemed to vary among the NAFTA supporters was the amount of jobs they said the trade agreement would create. USTR Mickey Kantor predicted 200,000 American
jobs would be added as a result of exporting goods to Mexico. US President Bill Clinton put the figure at one million in the first five years of its enactment. In his famous Presidential address on the NAFTA in 1993, the main focus of his pitch to the American public on the need to sign the NAFTA was the opportunities for job creation. Clinton reassured the US public that the NAFTA would create more jobs than would be lost through investments in the Mexican economy and plant closings. He explained that the goal of the NAFTA was to reduce tariffs so that the United States could sell more products to Mexico, not to create conditions for US employers to move to Mexico for lower labor costs (Carreno Figueras 1993, 20). He also made the point that not just any jobs would be created by the NAFTA, but particularly high-quality, high-paying ones would be associated with the pending export boom to Mexico. According to Cameron and Tomlin, Clinton’s position on the NAFTA in this regard was shaped by the concerns of organized labor in the United States that felt economically threatened by the idea of directly competing with lower wage laborers in Mexico. They quote a US negotiator of the NAFTA as having said “NAFTA was frightening to Clinton’s core constituency. People felt they were working longer for less. The idea was to change the symbolic meaning of NAFTA, to recast NAFTA not as a low wage strategy but as part of a high wage, high skill strategy” (Cameron and Tomlin 2000, 181). In adopting this strategy, which amounted to a classic changing of the rhetoric used to describe the agreement, Clinton drove home the point for the American public that from the US point of view, the primary reason for supporting the NAFTA was to create jobs. As he stated in a Presidential address on the topic, “In a fundamental sense, this debate about NAFTA is a debate about whether we will embrace these changes and create
the jobs of tomorrow or try to resist these changes, hoping we can preserve the economic structures of yesterday” (Clinton 1993, 1).

Implicit in the calls for free trade were assumptions that the agreement would also create jobs for Mexico, which would ultimately benefit the American public by reducing illegal immigration. The way the idea was articulated was that the Mexican economy would increase jobs, raise wages, reduce consumer prices, elevate the Mexican standard of living, and reduce future flows of illegal immigration to the United States as a result. According to a report on the NAFTA conducted five years after its passage by the Center for Immigration Studies in the United States, the reduction of illegal immigration was especially important in consolidating support among conservative politicians and restrictionist groups who later waged the campaign for California’s Proposition 187, which sought to limit the provision of services to illegal immigrants by several means, including requiring police, healthcare professionals and teachers to report the immigration status of all individuals, including children. They note that President Clinton underscored this point during a September 1993 town hall meeting in Sacramento, stating: “One of the reasons that I so strongly support this North American Free Trade Agreement is, if you have more jobs on both sides of the border and incomes go up in Mexico, that will dramatically reduce the pressure felt by Mexican working people to come here for jobs. Most immigrants come here illegally not for the social services, most come here for the jobs” (Manning 2000, 3).

US Attorney Janet Reno echoed this position one month later, emphasizing that the NAFTA would enable the United States to regain control of its borders. She explained that by reducing the movement of undocumented workers by creating jobs and keeping Mexicans in
Mexico, the US Department of Justice would be better able to restrict the influx of illegal immigrants. “[The] best chance to reduce illegal immigration is robust Mexican economic growth. That is why passage of the North American Free Trade Agreement will help me protect our borders. NAFTA will create jobs in both the United States and Mexico. The Mexican jobs will be filled by workers who might otherwise cross illegally into America” (Ibid.). Thus, a key argument for the NAFTA in the United States was that an increase in the Mexican economy’s ability to absorb a larger proportion of its newest workers could substantially reduce migration to US territory, effectually preserving American jobs for American workers.

The NAFTA to Stabilize Democracy in Mexico

Another popular reason touted in the United States for supporting the NAFTA was to help Mexico solidify the economic and political reforms the country had been making since the mid-1980s. Assessing the sequencing of overall political development and economic liberalization in Mexico was a compelling issue for NAFTA supporters, especially considering Mexico’s continuous history of authoritarian rule and occasional popular revolutions. In the wake of the debt crisis that afflicted Mexico, but also most of Latin America in the early 1980s, the country embarked on a disciplined program of structural economic stabilization. Mexico moved toward economic opening and the adoption of market-friendly policies, following what has been dubbed the “Washington Consensus,” in a nod to the policy prescriptions that had become the standard reform package of Washington, DC-based international financial institutions like the International Monetary Fund, the World Bank and the US Treasury Department. The NAFTA was considered by many in business and policy circles in the United
States to be the pinnacle of this liberalization process for Mexico, solidifying it for years to come (Steffan 2007, 3).

While President Carlos Salinas did not make any far-reaching changes to the political system in Mexico during his term, he did manage to maintain a general consensus view among fellow Mexican officials about the benefits of deepening of economic liberalization. He kept the central political structure intact well enough to guide the negotiating process largely from above in the country. Ultimately, Salinas utilized an authoritarian approach that was historically proven in Mexico to get the NAFTA passed and implemented. Guy Poitras and Raymond Robinson point out in their article, “The Politics of NAFTA in Mexico,” that the Salinas administration maneuvered within the political realities of the day in three principal ways. First, Salinas sought to recalibrate the ruling coalition in support of the notion of a free-trade economy and his neo-liberal economic program. Second, along the same lines, he tailored the party system so as to simultaneously strengthen the PRI and weaken the opposition parties. Finally, Salinas sought to regain the public’s confidence in the neoliberal restructuring program by implementing new forms of clientelist ties with such specially-targeted social groups as the marginalized and the poor (Ibid., 3-4). In most countries, the adoption of neoliberalism was associated with the rise of a particular political party. By contrast, in Mexico, this political shift took place inside the PRI itself. Still, from the vantage point of the United States, what Salinas was achieving in terms of economic liberalization in Mexico looked like real progress that ought to be supported. The fact that Salinas’ 1988 election involved a scandal whereby “…computers used to tally the vote…mysteriously failed on election eve and the actual documentation was never released, but
available evidence strongly suggests that Cardenas won some 42 percent of the vote compared to 36 percent for Salinas” (Reding and Whalen 1993, 1), was clearly something ignored or unappreciated by most Americans at the time. Longtime Mexico scholars Reding and Whalen have pointed out:

Proponents of the NAFTA conveniently overlook the fact that one of the signatories to the agreement is at best highly questionable. When forced to concede that there may be some irregularities in the Mexican electoral process, and in human rights more generally, they argue that closer integration of Mexico into the North American economy will bring a democratic scrutiny that will provide an impetus for reform within the country. (Ibid.)

Even at the outset, when Salinas initially proposed a free-trade pact, President Bush and his close friend, Secretary of State James Baker immediately cast it as a grand opportunity to stabilize Mexico as a free market, help it solidify as a truly democratic nation, while providing trade expansion for American exporters at the same time (Dryden 1995, 369). Later, as the NAFTA negotiations were reaching their conclusion during the Clinton Presidency, the rhetoric remained equally strong in the minds and in the speeches of political figures in the United States that the agreement was a way of offering Mexico a steady hand in the world, to keep it on track to becoming a legitimate democracy. “For some, NAFTA remained an affirmation of the virtues of free markets and free trade; for others, it was a way of stabilizing our largest neighbor and rewarding it for efforts to move away from statist economic policies” (Cameron and Tomlin 2000, 8). Of course the implicit irony with this is that political leaders in the United States surely were aware that Mexican President Salinas was leveraging autocratic means of governance as a way to ensure he would stay in power and achieve negotiation and signature of the NAFTA. To
be at once ignoring these practices from a public standpoint and urging the signing of the NAFTA in the name of democracy reveals the real sense of priority that the United States placed on securing democracy for Mexico at the time.

President Clinton clearly articulated the US political position on the NAFTA in the closing remarks of his address to the American public urging its passage by saying that the NAFTA was an “opportunity to provide an impetus to freedom and democracy in Latin America and create new jobs for America as well. It’s a good deal and we ought to take it” (Clinton 1993, 3). In the end, the leaders were willing to say anything that it took to get the NAFTA deal secured. Unsurprisingly, the goals the American leaders said they had to solidify Mexico as a democracy did not register as one of the core Mexican goals in the NAFTA agreement. While the rhetoric of extending a hand to Mexico to help the country become more like the United States from a governance perspective made sense to Americans and thus resonated favorably with the American populace, it simply was not an aspiration that Mexico’s leaders shared for the Agreement or even really acknowledged at the time. US government leaders were also well aware of this fact.

**Political Impetus for the NAFTA in Mexico**

The NAFTA as a Way to Secure Economic Reforms and “Lift All Boats”

Most analyses of the lead-up to the forging of the NAFTA are unanimous that the Mexican government’s primary interests at the time were to generate more foreign investments in order to fuel the continued liberalization of its economy. For Mexico, the NAFTA represented a way to lock in the reforms of the market opening that President Miguel de la Madrid
inaugurated in the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...g the mid-1980s to transform Mexico’s state-led economy in the wake of the devastat...
Given that internal investment and economic activity in Mexico was not sufficient for the economy to grow by a substantial measure and to create more jobs, Mexico’s leaders believed that foreign investment from the United States, Asia and Europe simply had to be secured in order to ensure the country’s future growth. In order for Mexico to meet its requirements for foreign capital, another way would have to be found to make the Mexican investment environment more attractive. Salinas and his lead trade negotiator, Jamie Serra, realized in Davos that the idea they had been considering for several months – the establishment of a bilateral free trade area with the United States – would likely make Mexico a more attractive site for foreign investment. In order for this to happen, Mexico’s leaders understood that there had to be very clear and permanent rules governing trade, and that Mexico needed to develop its own niche in the world market. The quality of internal production would also have to be clearly regulated, which would put new pressure on the labor force there. If foreign investment continued to lag, Mexico would be forced to raise domestic interest rates to attract capital, and this would increase the government’s already heavy debt burden. The leaders also realized that the negotiation of the NAFTA would provide the opportunity to strengthen relations between the Mexican government and its private sector leaders. Accordingly, a prominent businessman, Juan Gallardo Thurlow, was named to preside over the Business Coordinating Council for Foreign Trade (Coordinadora de Organismos Empresariales de Comercio Exterior [COECE]), which would rally Mexican business behind the idea of free trade negotiations with the United States. (Bertraub 1997, 2). Political scholar Strom Thacker indicates in his book on the NAFTA negotiations that the COECE representatives stuck close to the Mexican negotiating team throughout the process and were thus heavily engaged in the deal. He interviewed a Mexican government official who said,
“...despite internal differences within COECE as a whole, all members of the private sector who were involved in the negotiations were in favor of the basic concept of NAFTA” (Thacker 2000, 166). He notes that the Mexican political team was effective in excluding or at least greatly distancing the anti-NAFTA forces that existed in the private sector, which were mainly small and medium businesspeople, leaving mostly proxy representatives and big business to staff the private sector’s negotiating teams (Ibid.).

Understanding the importance of demonstrating a commitment to free trade principles to their prospective trade partners, Mexico’s government did not wait for the NAFTA negotiations to commence to start making fundamental changes to its economy, which it believed were necessary to bolster the market and bring its people out of poverty. This is precisely why many scholars believe and have readily asserted that the NAFTA only accelerated an economic integration process between the United States and Mexico that was already well underway by the time the agreement was negotiated. Indeed, economists Gary Hufbauer and Jeffrey Schott trace the build-up of commercial relations between the states back to the initiation of the Mexican maquiladora program of 1965, while Joseph Contreras, longtime journalist covering Mexico affairs, reaches back even further to 1884, when the first railroad link to the US border was established. By 1909, Contreras indicates, “over half of the United States’ entire overseas investment portfolio was concentrated in Mexico, and the prominent captains of industry with extensive interests in the country included the Guggenheims, J.P. Morgan, and the Rockefellers” (Contreras 2009, 2). Indeed, for many decades before 1990, the United States accounted for the predominant share of trade and foreign direct investment in both Canada and Mexico. These economic engagements were so well established, Hufbauer and Schott assert, “North American
economic integration would have continued to deepen – even without NAFTA – in response to new technology and competitive pressures in the world economy” (Ibid., 2).

While the NAFTA was thus not a new initiative to introduce trade between the signatory nations, the Mexican government officials did realize that by making some economic policy changes that were also favored by the United States, they could secure the agreement and its ability to speed up the pace of trade and investment in Mexico. For Salinas, the modernization program he fundamentally believed in required the jettisoning of some of the most fundamental principles of the earlier Mexican Revolutions. For instance, he argued that a free market demanded the abandonment of protected ejido land, which was essentially the rural safety net for the poorest Mexicans. Salinas proposed corresponding amendments to the Mexican Constitution that were ultimately ratified by the Mexican legislature in February 1992. Two major changes in the Articles of the Constitution – Article 4 and especially Article 27 – were made that would have a bearing on how decisions were made to transfer land, freeing it up, from a neoliberal perspective, for foreign investment. Article 4 reforms pertained to the recognition of the rights of indigenous communities within the Mexican state, including land rights, but they were not followed up with the necessary implementing legislation that would have granted pueblos indígenas something more than symbolic power. Changes in Article 27 were more widely perceived as relating directly to preparations for the NAFTA. Since 1917, Article 27 had guaranteed ejido lands to those wanting to provide a living for their households through independent cultivation rather than working for others for wages. Changes in Article 27 allowed conversion of these communal lands into private property and purchase of the land titles by investors from outside the community associated with the ejido parcels (Kingsolver 2001, 65).
As a result of the changes, “…campesinos could buy and sell plots of land and in time much of this land seemed destined to end up as the property of large domestic producers or landowning multinational corporations like Nestle or Del Monte” (Joseph and Buchenau 2013, 181). Indeed, when permitted to sell their communal lands, the poor that were in need did so and then promptly lost their subsistence lifelines in the process.

Salinas was also able to achieve a constitutional amendment eliminating the right of peasants to land for their subsistence, something that some previous administrations had strived but failed to do since the 1940s. The land to grow maize and beans no longer would be available to them in desperate times. President Salinas and his PRI government pressed further in making legislative changes, including lifting the 51 percent Mexican ownership rule, to privatize what had long been nationalized industries in many sectors of the economy, including banking and communications, two of the ones most highly desired by capitalists both in Mexico’s private sector and by those located outside of Mexico. In addition, his administration lifted the prohibition on foreign control of extractive commodities. Free trade and free enterprise in the style of the United States was rapidly becoming the economic commitment for Mexico’s future, in the lead-up to the NAFTA. These changes were mostly viewed by the neoliberal political class in Mexico as necessary to facilitate passage of the Agreement and the investments in the Mexican economy it would encourage. For others, especially those with strong memories and ties to Mexico’s Revolutions of the past, the changes were more than difficult to absorb. To illustrate the disconnect, Ann Kingsolver, an ethnographer, interviewed “Don Hugo,” a member of an earlier farming generation in Mexico, about preparations for the NAFTA. He said:
Our president tells us that he is going to help the community with the changes in Article 27 and in the currency. But it’s a lie. A lie. It’s a big lie. Like in the Porfiriato. Because this is how it was: the poor people here in Morelos had to work in sugar cane and carry the cane until someone called Zapata came along who wanted to take the yoke off the poor…My father (and uncle) were revolutionaries. (Kingsolver 2001, 101)

Don Hugo’s sentiments serve to illuminate the importance of evaluating the NAFTA with the perspective of a century spanning from the administration of former President Porfirio Diaz to the age of neoliberalism that was gaining preeminence in Mexico in the 1990s. Many from farming families, like Don Hugo’s, had been told stories from ancestors of earlier generations about the time Diaz opened Mexico’s market to foreign investment in the 1870s. From the perspective of the poor who lost their lands at that time to foreigners eager to buy them, the Porfiriato had allowed foreign money-holders to fleece them of their lands and possessions. Outrage against these perceived injustices and the government’s failure to protect the rights of its people fueled Mexico’s Revolution of 1910. Thus, it is quite logical that the preparations for the NAFTA and the corresponding changes to Article 27 looked a lot to these families like the return of old, failed policies and foreign profiteers as well.

Much like in the United States, in order to win popular support for the NAFTA, Mexico’s government officials maintained a constant drumbeat of political rhetoric on the issue of jobs and the fact that the Agreement would bolster Mexico’s ability to sell its products to its Northern neighbors, thereby increasing jobs for Mexicans. A radio journalist interviewed by Ann Kingsolver in the summer of 1993 in Mexico City said that the government messaging on the NAFTA was primarily about jobs. “Once a free trade treaty would be in effect, there would be free circulation of commodities, and this would generate jobs- generating jobs was always a very
important point that they were belaboring” (Kingsolver 2001, 50). Indeed, Salinas was rather famous during the NAFTA negotiations for traveling across both the United States and Mexico, talking about how the NAFTA would create jobs in Mexico, but not take them away from the United States. As he told the magazine *Fortune* during a promotional tour for the NAFTA in Mexico in 1992, “…if we do not create jobs in Mexico, Mexicans will merely walk across the border looking for jobs in the north. We want to export goods, not people. Our intention with NAFTA is to create additional jobs and make wages grow, not to steal jobs from the US” (Salinas and Hadjian 1992, 1). *Fortune*’s audience being largely the leadership of multinational corporations gives an idea of what Salinas believed some of the upside was for them in the agreement, namely, the enhanced ability to expand business operations in Mexico. By extension the American workers would also win, by not having to compete with Mexican labor at home.

Given the central focus of land reform in order to achieve the NAFTA, it is clear that a certain percentage of jobs were not so much expected to be created by the Agreement as shifted from more rural occupations to urban ones in an overall economic transition. Mexico, after all, had experienced the first steps of its industrialization process in the last decades of the nineteenth century. By 1900, about 80 percent of the roughly sixteen million Mexicans lived in the countryside and made their living from land (Knight 1980, 79). By 2011, the World Bank staff estimates the Mexican population had grown to just over 100 million people, with about 80% of those living in urban settings and earning livings from manufacturing or services jobs. *Ejido* lands that served largely as plots for the indigenous to work in order to sustain themselves and their families were viewed as unproductive by the Mexican government officials preparing for the NAFTA, and as a result, people were pushed off of their lands in favor of more efficient agri-
businesses. The uprooted peoples had to make some tough choices, much like their ancestors did, about where and how to find work and a means to support themselves through the transition that was happening to them. Many of them did not survive at all.

There is evidence that the Mexican government considered the mobility afforded to Mexican laborers to take temporary jobs in the United States a key economic benefit of the NAFTA. When the idea of a trade agreement between Mexico and the United States first emerged during the Reagan-Portillo era, William Orme, an experienced journalist covering Latin America, indicates Lopez Portillo was open to it in part due to concerns about American initiatives to restrict immigration. He writes that Portillo and Mexican officials of the time, “…saw labor mobility and some $2B a year in expatriates’ remittances as vital to stability in rural Mexico” (Orme 1996, 35-36). Ann Kingsolver interviewed an undersecretary in the Mexican Secretariat of Labor in the summer of 1993 on the labor portions of the agreement. He indicated that mobility of Mexican workers would be the primary benefit of the NAFTA. He offered an example saying, “If a Mexican business gains a contract in the US to wash buildings, they can take Mexican workers into the US more easily to service that contract with [the new agreement on] temporary mobility” (Ibid., 71). However, when Kingsolver asked the undersecretary how the NAFTA labor agreements would compare to the newly formed European Union and the relationship between the three nations of North America that might be forged if the Agreement passed, he noted that there were some very significant differences “First of all, the Tradtado de Libre Comercio is a commercial agreement – we are not negotiating social aspects. There are no popular movements reacting to NAFTA.” He went on to describe that in
Europe, there were transnational laws regarding the protection of workers and of investments, neither of which was written into the central NAFTA document (Ibid.). In the end, the undersecretary in Mexico was correct that the actual text of the NAFTA included provisions to make it easier for middle-class professionals to get extended visas to work in another NAFTA signatory country. However, the NAFTA agreement was silent about the mobility rights of everyone else, a striking omission in a document otherwise dedicated to maximizing continental capital mobility and securing international property rights. It is also striking because the agriculture sector and lower-skilled professionals were expected to be the most impacted by the trade agreement, since its terms put them in head-to-head competition with better-resourced farms in the United States. Therefore, if anyone needed the enhanced ability to move across the border for employment, it would have been this sector of the labor market in Mexico.

The Mexican labor sector at the time primarily registered in the public domain as being positive about the NAFTA, particularly because they were controlled by the PRI government at the time, and had been since the 1940s. As noted previously, the small and medium sized businesses that opposed the NAFTA were kept distanced from the agreement. Part of that effort was a matter of resources. Those larger business representatives that were able to have a voice within COECE and had a front seat for the negotiations were representatives that worked on a volunteer basis and paid their own travel expenses to attend meetings at negotiating sites. This was something clearly out of reach for many of the Mexican representatives from smaller and less-resourced labor outfits (Thacker 2000, 167). In one of Thacker’s interviews of Mexican government officials involved in the negotiations, the representative acknowledged that the
Mexican government was representing a rather narrow constituency. He said of the
disenfranchised labor representatives, “If he wanted protection, he probably was not well
represented. If he wanted access to US markets, he was well represented” (Ibid.).

Historian and labor union activist Dan La Botz develops this analysis further by noting
that while the labor sector had been controlled by the PRI for many decades, Salinas took things
to a whole new level by breaking unions in order to facilitate the NAFTA deal. While for many
years, the head of the Mexican Confederation of Workers (CTM) had cooperated with the state
and employers to squash union movements and could be counted on to do so under normal
circumstances, Salinas understood that what he was proposing would cause significant rancor
among unions. La Botz indicates Salinas was privatizing a vast amount of state industries and
putting them in the hands of either Mexicans or foreigners, which was exceptional for the times.
La Botz says Salinas knew that “Such a vast reorganization would threaten both the union
bureaucrats’ political power and prerequisites of office; the new management could be expected
to break unions, rewrite contracts, and possibly lay off workers or cut wages” (La Botz 1988,
110). Clearly, if the officials began to organize politically, or if the workers began to strike in
defense of their wages and jobs, they would create political and economic turmoil that could
disrupt Salinas’ plans. Instead, he struck at them first in a variety of aggressive ways to break the
unions’ power base and prevent the workers from successfully organizing to challenge his
neoliberal agenda.

Among the representatives of larger businesses in Mexico that participated with the
Mexican government in the NAFTA negotiations and had their voices recognized and registered
by the Salinas administration, most were upbeat about the commercial possibilities associated
with it. There were some among this “official” and wealthy cohort that were somewhat
concerned about potential layoffs as a result of increased competition with the United States, but
most recognized that an increase in trade would ultimately bolster Mexico’s ability to generate
jobs for the businesses that were large enough and well-resourced enough to successfully gain
access the market. Most of the public attention and debate around competitive labor issues
associated with the NAFTA were not coming from Mexican side then, but rather from the United
States (Hufbauer and Schott 2005, 81).

Overall, in assessing Mexico’s motivations for engaging the NAFTA, two legal and
economics consultants in Mexico City, Enrique Espinosa and Pedro Noyola, concluded in
Coming Together? Mexico-US Relations that Mexico’s primary objectives were to “achieve
long-term market access with the maximum reduction possible to tariff and non-tariff restrictions
for exports to the US market…and to promote investment by inducing efficient complementarity
between the two economies” (Bosworth, Collins, and Lustig Eds. 1997, 29). The Salinas
government was so convinced that its neoliberal economic approach, which involved signing the
NAFTA, would ensure a bright economic future for Mexico through increased foreign direct
investments, trade and jobs that it was willing to make difficult and oftentimes controversial
structural reforms to the economy in order to ensure the United States would sign the agreement.
Indeed, as Cameron and Tomlin argue in their book, The Making of NAFTA: How the Deal Was
Done, “Mexico’s entire posture in terms of the NAFTA negotiations and their willingness to
make concessions during the process, was based on their leaders’ desire to implement a radical
agenda of economic restructuring within Mexico” (Cameron and Tomlin 2000, 123). The
NAFTA would be the cornerstone of this new set of policies, and many of the measures that Mexico was called upon to take in the trade negotiations were ones the Mexican leaders had already decided were necessary to embrace.

NAFTA as a Bridge to the Global Economy

One of the reasons Mexico’s government officials were convinced of the merits of neoliberal economic principles, including the benefits of free trade that were long touted by the United States and other global leaders, was that they hoped that by championing the ideas espoused by the economies of the First World, Mexico might one day join its powerful and prosperous ranks. More than simply a means to achieve foreign investment then, Salinas believed US participation in the NAFTA would send a strong signal to other nations that Mexico was agreeing to abide by the “rules” of the global economy that those in the international power circles were touting and enforcing. Cameron and Tomlin indicate that virtually all Mexicans were at least somewhat surprised by Salinas’ initiative to forge the NAFTA. They believe that most of the population could not have predicted it before the wheels were set into motion. The fact that the decision was made at the World Economic Forum in Davos, Switzerland, is also very telling. Mexico’s leaders were embarking on a wholesale transformation of the Mexican domestic economy, and they needed to demonstrate how the new constellation of social forces, patterns of production and trade, and the relationship between state and society would be embedded in a more supportive international environment.

Ann Kingsolver interviewed “Elena,” a radio Journalist in Mexico City in the summer of 1993 about how she first learned of the NAFTA or “el TLC.” She said, “The first information that [the government] began to give out, in Mexico, was that the establishment of free trade
treaties was something that everybody in the world was doing. They began to inundate us with radio and television announcements that said, for example, that the European Community was establishing a free trade treaty. So it seemed like a bright idea” (Kingsolver 2001, 50). Of course, there was no mention of the free movement of labor that the European Union had ensured was part of its political and economic union. Some optimistically argued that the NAFTA represented Mexico’s chance to join developed nations as a technologically advanced nation. President Salinas himself helped convince both the world and much of Mexico that the nation was on a fast-track to modernity. After Mexico joined the General Agreement on Tariffs and Trade (GATT) in 1986, the pre-cursor to the World Trade Organization, foreign products poured into urban areas, and new technologies such as cellular phones and bank ATMs became more readily available. Private investment fueled development. Superhighways spanned canyons and tunneled through the mountainous Sierra Madre. It was thus easy to believe that the NAFTA would bring more of the same, speeding Mexico into the global market and “first world” status (Foster 2009, 226).

There is some merit to the notion that by signing the NAFTA, Mexico would be joining two other countries that were in a different phase of development, in many respects. It was a fact that made the agreement unique to the world. At the time of the NAFTA negotiations, it was clear Mexico was still in transition from an agrarian society to an industrial and services-oriented one. Heterogeneity is and always has been part and parcel of Mexico’s complex nature. The 1990 census classified 70 percent of the population as urban, but many millions of those urban Mexicans were living in recently created cities and were either peasants in the process of acquiring an urban culture or first or second generation migrants (Hoebing, Weintraub, and Baer
Eds. 2006, 72). In this sense, the so-called Mexican middle class was composed at that time, to a large extent, by families that were in the process of changing from one way of life to another. As political actors, this group was only beginning to acquire a voice as it acquired increasing amounts of economic wealth. Indeed, the economic shifts happening in Mexico were producing a large and diverse middle class that was demanding a greater voice in the nation’s development. However, these demands were in great conflict with the aging political system of the PRI that was losing its ability to adapt and, as a result, was becoming even more authoritarian in an effort to maintain its control (Wilson 1987, 2). Salinas, himself, was determined to keep the PRI firmly in charge. As Robert Newell and Luis Rubio noted, “This impeded public expression and freedom of the press for a population that was rapidly acquiring not only a high standard of living but also the education and the values commonly found in more developed societies” (Newell and Rubio 1984, 110). The situation in Mexico at the time was therefore in great contrast to that of the United States at the time, where a middle class society was already traditional and steady, and industrialization and urbanization were well underway.

Indeed, when the NAFTA was first being implemented, the formation of a Mexican populace with “mainstream” values and political views was still a very recent phenomenon. During the 1994 elections, more than 35 million Mexicans voted, compared with just over 19 million in the 1988 elections, and it is estimated that that almost 40 million watched the televised debate among presidential candidates – Mexico’s first such debate (Ibid.). According to the UN’s Economic Commission for Latin America and the Caribbean (ECLAC), out of a total of 90 million Mexican citizens at the time, 40 million were living in poverty and around 17 million were living in extreme poverty. The average educational level was less than five years of
schooling. Mexico was, in fact, in a state of profound redefinition internally as a nation at the time the NAFTA was being contemplated and developed. Therefore, when President Salinas was essentially promising to penetrate a definitional barrier at the international level and make Mexico part of the “first world,” joining that insider’s club with the United States and Canada, it was a message that had some resonance, particularly among the upper-echelons of the business community in Mexico who were starting to think differently about their own potential and ambitions inside and outside the nation. That said, while average Mexicans of the day may have been able to observe some of these transitions taking place across the nation already, they had no real way of evaluating Salinas’ claims and linking them to likely outcomes for their futures. It was uncharted territory for most Mexicans of the day.

Thus, while the idea of leveraging a trade agreement to raise the level of Mexico’s standing in the world was potentially intriguing to a broad swath of the Mexican populace, the fragmented nature of Mexico’s geography, races and ethnicities made it difficult for them to form a “national sentiment” on the matter (Hoebing, Weintraub, and Baer Eds. 2006, 74). Essentially, Mexicans were too consumed with developing their own sense of personal identity within the nation to fully comprehend the development of a national identity on a global stage. What they could understand more readily were notions of how the United States and other first world nations viewed them at the time, and many Mexicans believed that the Americans, in particular, looked down on them as inferiors in virtually every way. Ann Kingsolver interviewed a television news director in Mexico in the summer of 1993 about the NAFTA and he told her that “a racist current against Mexico” existed in the United States, as well as “a belief that we are not at the same level.” He then explained that the main purpose President Salinas de Gortari proposed “el TLC”
was to attract the capital of wealthy Mexicans that were either living or investing in the United States and other countries, back to Mexico. He also predicted that a Mexican capitalist would buy the Empire State Building within the next ten years (Kingsolver 2001, 55). The comment highlights the discrepancy between the two countries that was perceived by Mexicans largely in racial terms, but also signals the enduring hope of some Mexicans that its leaders were ultimately wise and correct in asserting that Mexico would be able to leverage the agreement to its benefit and compete effectively with the developed world. It is also interesting that the interview subject chose the Empire State Building to accentuate his point, as it has historically been a symbol of US modernity and America’s role as the first nation of global capitalism.

**NAFTA Opposition in the United States**

**Fears of American Jobs Relocating to Mexico and Downward Pressure on Wages**

It is actually somewhat ironic that while the Mexican government’s messaging on the possibilities of a third-world country leveraging a trade agreement as a bridge to the first-world did get some level of traction and hopeful support among the Mexican populace, in the United States the notion of having to compete with the third-world struck fear into the hearts of many “first-world” laborers. In reality, the business of estimating the employment effects of the NAFTA, either nationwide or by industry, is extremely difficult to engage. Methodological approaches vary widely from back-of-the envelope calculations based on arbitrary criteria or “at-risk” jobs to complex dynamic computer simulations forecasting the growth of the North American market, the savings and investment patterns of the two countries, and the effect of new investment in Mexico on investment in the United States. A review of the various NAFTA computer-generated algorithms that were used by the Congressional Budget Office in 1993
found that most of the economic models anticipated increases in US real wages as a result of the NAFTA. Whether this was touted as either a positive or negative thing by politicians, almost all of the estimated changes were small (Congressional Budget Office 1993, 2).

However, despite the small effects predicted by most analysts, it was the more extreme estimates of job gains and losses that seemed to dominate the public discussion in the United States. Robert Zoellick, counselor at the State Department in the George H.W. Bush administration, once suggested that the “bottom line” of the NAFTA was the creation of 44,000 to 150,000 American jobs over four years. Of course, opponents like US Presidential Candidate Ross Perot predicted US job losses in the millions. The varying predictions on job losses and gains captured the public’s attention and held their interest, and thus debate over the NAFTA heated up throughout the year of 1993 leading up to the congressional vote on the agreement. NAFTA had also been an issue during the 1992 presidential election because of the concerns that it might exacerbate unemployment and slow real wage growth in the United States. While President Bush supported the agreement enthusiastically and Presidential hopeful Bill Clinton espoused the negotiation of supplemental agreements, Ross Perot linked the NAFTA to a continued decline in the American standard of living.

Perot played an especially important role in the opposition to the NAFTA, notwithstanding the fact that his credentials were more than mildly questionable. As a businessman, he stood to benefit from the NAFTA, and his arguments lacked the sophistication and depth of research that his opponents in think tanks and advocacy groups linked to labor and the Democratic Party had. Nonetheless, he was able to use his substantial financial resources to buy air time on television to present a distinctly negative image of Mexico and the future of the
United States under the NAFTA. Perot had published a book railing against the NAFTA, along with Pat Choate, that tapped into a popular public concern about increasing foreign influence in US politics, economic insecurity, and US nationalism. He emphasized “the giant sucking sound” of jobs going south. In fact, the theme of one of Perot’s thirty-minute public infomercials was “Keeping your job in the USA” (Perot and Simon 1996, 105-106). This topic struck a nerve with many Americans that were concerned about job security and it likely helped Perot win nearly 20 percent of the popular vote in that election.

For many labor unions in the United States, Mexican “cheap labor” was probably the most immediate concern with the concept of the NAFTA. Hourly manufacturing wages were lower in Mexico than in Canada or the United States. Their average in Mexico was about $1.85 at the time. In the United States it was about $14.83 (Zarate-Ruiz 2000, 23). The average was even lower in the maquiladoras, which was the fastest growing industrial region of Mexico at the time of the NAFTA debates. Sid Shniad, then Research Director of the Telecommunications Workers Union of British Colombia, gave several presentations on the NAFTA at the time that captured thoughts that circulating in minds of many US workers. He argued that Mexico’s lower hourly wages meant that thousands of unemployed Mexicans would end up taking jobs from the much-better-paid American ones. Corporations of the two wealthy NAFTA countries would ultimately move their plants down to Mexico, thus significantly cutting their labor costs, in addition to energy bills, installation and services costs for plants, which were among the cheapest worldwide in Mexico at the time (Shniad1993, 1).

A Pew Case Study on US Congressman Jim Walsh’s approach and thought process with respect to the NAFTA vote zeroes-in on the jobs debate in the United States and indicates that
two ominous developments in the American labor market over the course of decades had ultimately fueled the fears that were being targeted by Perot and others like him. The Study explains that over the full century prior to 1973, real average hourly earnings in the United States rose by 1.9% per year, allowing real earnings to more than double every forty years. However, consistently for the nearly twenty years between 1973 and 1992, real hourly earnings had actually been declining by 1.39 percent per year, dropping to levels comparable to those of the late 1960s. The Study excerpted a Brookings Report indicating that when real hourly compensation, a figure that includes fringe benefits and earnings, is used for comparison, it appears that earnings for laborers only increased by five percent between 1973 and 1991 (Lawrence 1993, 161-226).

The second worrisome labor market development noted was the sharp increase in earnings inequality. A variety of statistics indicated an increasing wage gap between the most skilled and least skilled members of the labor force. For example, in 1979 the hourly wage of a college graduate with less than five years of actual work experience was 30 percent more than that of a high-school graduate with similar practical experience. By 1989, this premium had grown to 74 percent (Lovely 1994, 3). Many academics and policymakers made cases of various kinds, and with varying levels of data integrity, linking these developments to international trade, which were readily consumed by concerned American laborers. As international economist E.V.K. FitzGerald points out in an essay titled, “Trade, Investment and NAFTA,” these arguments appealed to those at the time who believed the US’ superior economic position in the world was faltering, primarily on the backs of laborers in the manufacturing sector. “…the USA was felt to be losing ground in world trade and technological innovation compared to Europe and
Japan; both labor unions and firms in vulnerable sectors shifted back towards protectionism’ (Bulmer-Thomas and Dunkerley Eds. 1999, 101). Indeed, from 1970 onwards the Nixon Administration could not get any trade liberalization legislation passed. No new trade bill was, in fact, achieved until the end of the 1980s.

Two additional public figures who joined Ross Perot in arguing most stridently against the NAFTA and proposing alternatives to neoliberal policies in 1993 were the Reverend Jesse Jackson and Ralph Nader. In a Today Show interview that aired on US television on November 7, 1993, Jesse Jackson explained that an anti-NAFTA position need not be interpreted as anti-Mexican. He pointed out that “Mexicans are not taking jobs from us; corporations are taking jobs to them.” His position focused on the need to incorporate provisions for social justice into a trade agreement like the NAFTA. Ralph Nader called for corporate accountability and the democratization of decision-making in the face of global trade. In a speech to the National Press Club on November 4, 1993 Nader raised the issue of “the big secret cabal of big business and big government” making decisions “beyond the reach of voters to affect” and “without global legal accountability.” Unlike Reverend Jackson however, he did use some anti-Mexican language in his anti-NAFTA talks, placing him in the nationalist or US protectionist rather than the internationalist camp of those opposing the NAFTA. In the same speech, Nader warned that “NAFTA is a giant Mexican truck in your rear view mirror as you’re driving down the road” (Kingsolver 2001, 59). The primary thing that this unusual and vocal group of individual political actors had in common at the time was that all believed the NAFTA would be detrimental to the United States, first and foremost, because it would cause low-income
American manufacturing jobs to be transferred to Mexico and also cause Mexican migrant laborers to travel north in search of even more American jobs.

It is important to acknowledge that arguments pointing out the closed nature of international trade negotiations to a certain subset of “elites,” as well as those describing the nature of capitalism as a drive to the bottom of the wage scale, did have some merit. The close proximity between the two countries also raised fears that plant openings in Mexico would be matched by plant closings in the United States. Ann Kingsolver interviewed a US corporate executive about the NAFTA in the summer of 1993 who oversaw factories in Canada, Mexico, and the United States. He told her that the NAFTA would “help him get direct access to land on which to build factories” in Mexico. Earlier, he had relied on connections through his Mexican business partner’s family to lease ejido land. But he happily told Kingsolver that “with the constitutional changes [in Article 27] associated with the NAFTA, his company could now purchase the land outright for factory construction” (Kingsolver 2001, 70). He further noted that he had not actually read any Mexican labor law or reviewed the proposed NAFTA document. It was a natural reflex for American businesses to assess the potential strategic advantages associated with the NAFTA, and it was thus just as natural for US laborers to be anxious about how they would fare in this overall strategic assessment. As two union activists wrote in 1993, “Opening up the Third World to investment is not a new goal, but Mexico offers US firms proximity, 28 million workers, and very low labor costs” (Lovely 1994, 3). These benefits would clearly attract US companies, and thus American laborers did have legitimate reasons to believe their own jobs and economic situations might be headed from bad to worse when the NAFTA was signed.
It was also absolutely true that Mexican wages were extremely low at the time, and kept that way intentionally as part of Salinas’ effort to limit the labor unions’ power to push back against his neoliberal agenda. As Edmonds-Poli and Shirk point out, when the Confederation of Mexican Workers refused to support Salinas’ agenda to continue privatizing state-owned enterprises and drastically reducing government spending, Salinas hit back hard. They indicate, “…Salinas used the government’s power to limit strikes, intervene in negotiations between workers and employers, and minimize wage increases” (Edmonds-Poli and Shirk, 178). Hoping to impress global investors with the strength and stability of the peso, Salinas had overinflated it, while holding down wages. To further expand the export-driven economy, he thought low wages were essential. Fifty-one percent of manufactured exports at the time of the NAFTA debate were produced by maquiladoras, small-to-medium-sized foreign businesses operating with low-cost Mexican labor, in order to send competitively priced goods into the United States. The economy grew during this time, but per capita income never increased enough to make up for the losses caused by the recessions during the 1980s. The purchasing power of the minimum wage declined 66 percent from 1982. The grossly inadequate minimum wage at the time of the NAFTA debates, the lowest even among the more developed Latin American countries became such a political issue in the United States –not nearly as much for the PRI government in Mexico– that the trade negotiations actually forced Salinas to increase it. NAFTA critics argued vehemently that low-wage Mexican jobs would displace US workers, and that the threat of relocation would suppress wage demands across the region. In order to alleviate the growing tensions on the topic and ensure the negotiations stayed on track, Salinas was forced to provide some modest relief to Mexican workers by raising wage rates.
The reaction of average working Americans to the NAFTA reflected genuine fears people had about the ability of organized production in Mexico to do real commercial harm to the United States, given its low-wage structure. Then US Trade Minister Carla Hills has stated these fears demonstrated the public’s genuine ignorance about important economic realities of the day. During a public debate about the NAFTA ten years after its signing at the Council on Foreign Relations Hills noted:

The opposition was so strong with strident misstatements about the millions of jobs we were going to lose. The idea that an economy like Mexico's, which then was about $300 billion, and we were at about $8 trillion USD - you know, [Mexico’s economy was] smaller than the size of south Florida - was going to destroy the United States economically, was, you know, ridiculous. But it got sort of a credence. It was repeated in the press. It was on television. (Bhagwati and Haass 2004, 4)

Whether an unreasonable result of ignorance or not, the American public’s concerns about the threat of Mexican workers to their own livelihoods was a significant factor working against the progress of the commercial agreement and the ability of trade negotiators to open more avenues of cooperation. While this particular fear seems to have been strongly held among laborers in the United States, it was shared to some extent by laborers within all three of the nations involved in the agreement. Ann Kingsolver interviewed a representative of the FAT in Mexico or the Frente Autentico de los Trabajadores (Authentic Workers’ Front), which is an independent confederation of labor unions that is activist in response to the authoritarian style of the PRI and had a membership of about forty thousand workers. “Roberto” met with her and explained the concerns of the labor sector across the region that the agreement would end up lowering wages for all workers. He predicted the NAFTA would usher in an era of dismal working conditions for all laborers, saying, “For they are going to offer us as cheap labor, and
then they are going to say to workers in the US, ‘Well, if you want to keep working, we are going to have to lower your salaries. If you don’t want to accept that, then I will go with peace of mind to Mexico.’ And the same thing will happen in Canada. It’s a downward pressure, working against labor in all three countries” (Ibid., 76).

“Roberto’s” point of view is an indication that, despite the fact many working-class laborers in the US and Mexico had no real access to the trade text, or any sophisticated understanding of the nuances of international trade that someone as knowledgeable as Minister Carla Hills’ had, it was intuitive for these individuals that market liberalization would translate into direct competition that had the potential for negative impacts. This was clearly a priority issue for laborers to address because they were the ones who would be most affected. Without access to all of the details and not understanding exactly what to expect from competitors on either side of the border, the general instinct was to fear potential economic losses and to call for political action to ward against them. These have always been and continue to be some of the realities in terms of the societal pressures and resulting political forces that end up influencing large-scale international trade agreements in significant ways. A lot of the reason for it is a result of the way that trade agreements are negotiated. Trade text remains classified and unavailable to the general public throughout the negotiating process, and only becomes published and accessible after there is Congressional approval to move forward. Even then, the way agreements are written and documented, much like domestic bills, they are too cumbersome and difficult for average citizens to fully interpret. Ann Kingsolver describes this phenomenon and its ramifications in the NAFTA context saying, “In the absence of the document itself, NAFTA/el TLC became a symbolic entity invested with hopes, fears and agency – the power to change lives
and nations. It became a vehicle for discussing the particular ways individuals understand, experience and explain global capitalism” (Kingsolver 2001, 2). Since individual people, communities, and even companies lack a real means to engage directly in trade agreement text development, the conversations that are had end up largely reflecting their concerns about how the economic system of the country is managed by the governing leaders. In this way, agreements like the NAFTA tend to catalyze some of the necessary social discussions about corporate versus individual decision-making authorities or the relationship between stereotypes of migrants and North American nations as they are linked to fears of job losses. The real effects of the NAFTA, and indeed all trade agreements, thus end up becoming entwined with more symbolic ones.

Fear of Increased Immigration to the United States

In the same way that many representatives of the labor sector in the United States were concerned about jobs migrating south to Mexico as a result of the NAFTA, they also worried about an influx of Mexicans moving north to compete for jobs and resources at home in the United States. Potential impacts of the trade agreement with respect to immigration were a hotly debated topic in public circles around the United States at the time of negotiations, with a wide variety of views being expressed by various constituents to the agreement. Then US Attorney General Janet Reno made a number of public statements in 1993, essentially noting that passage of the NAFTA would ultimately make her job guarding the border easier, and that failure to pass NAFTA would make the task of stopping the flow of illegal immigration even more difficult. Mexican President Carlos Salinas joined her in asserting, “We want NAFTA because we want to export more goods, not people” (Djajic Ed. 2001, 102). Indeed, the better educated and informed
proponents of the NAFTA both in the United States and Mexico were all but certain the trade agreement would have some positive impacts on Mexico’s economy in the form of higher wages and increased jobs. However, they also knew Mexico would face some significant economic shocks and would have to make significant adjustments in response to the increased competitive pressures of free trade with the United States.

It was difficult for anyone to accurately predict how long the adjustment time might take or how long it would be for home-grown jobs and industries to emerge in order to retain more Mexican workers in the country; therefore, depending on where you stood on the NAFTA, you tended to either assume the time would be fairly short and that Mexico would quickly become a solid economic player and importer of American-made goods, or you believed the time would be rather long and the United States would endure an unwelcome increase of immigrants while Mexico made the transition. Most labor union members in the United States were on the latter side, generally not buying into arguments that the NAFTA would create new jobs in Mexico and raise the country’s standards of living, allowing them to become consumers of US-made products. As the Communications Workers of America stated it, “Mexican workers can’t afford US products. Mexican workers have not achieved decent standards of living, nor are they likely to achieve decent standards of living as a result of NAFTA. Today, the average per-capita income in Mexico…is not even enough for Mexican workers to meet the most basic necessities such as clothing, food, and shelter for themselves and their families” (Zarate-Ruiz 2000, 24). Given the vast income disparities between the two countries, the only reasonable conclusion many US workers, especially the lower-skilled ones, could make at the time was that they themselves would be the losers in the trade game and that low-cost Mexican labor would end up
undermining the living standards for all involved. As a result, US corporations would head to Mexico and low-skilled Mexicans would migrate to the United States in one big race to the bottom.

A masterful account of the history of immigration between Mexico and the United States authored by Douglas Massey, Jorge Durand and Nolan Malone titled *Beyond Smoke and Mirrors* illuminates the more pressing and even tragic facts surrounding all of these national discussions on immigration. In particular, the authors point out that the 1986 Immigration Reform and Control Act (IRCA) that initiated a new era of restrictive immigration policies and repressive border controls was made law at essentially the same time the US and Mexican government officials were contemplating the NAFTA and its ability to “…facilitate cross-border movement of goods, capital, commodities and information…” (Massey, Durand and Malone 2003, 2). The evident contradiction involved with simultaneously promoting increased economic integration while insisting on a rigid separation of human and labor markets did not seem to register with mainstream Americans, and was deflected by the prominent politicians of the day. Massey, Durand and Malone assert that the result of this disjointed thinking and contradictory approach to Mexico resulted in an increasingly militarized border enforcement regime that only altered what had long been a predictable immigration system in a way that has been extremely costly for both Mexicans and Americans on a number of fronts.

The authors trace the roots of Mexican migration to the United States back to the 19th century, 1850 being the earliest recorded year. At some points, Mexican laborers were recruited by the United States, for instance during the *bracero* program both during and after World War II, while most of the time Massey, Durand and Malone indicate the United States simply looked
the other way as laborers crossed the border and headed to farms and other places of work (Massey, Durand and Malone 2003, 34-45). “During the twenty-one-year history of mass undocumented migration, the United states, in effect, operated a *de facto* guest-worker program. Just enough resources and personnel were allocated to border enforcement to reassure the public that the border was under control” (Ibid., 45). Most migrants became aware that the odds of getting through to the United States were in their favor if they just repeatedly attempted to cross the border, since the likelihood of capture was only about 33 percent on any given attempt (Ibid.).

Over the course of the undocumented migrant era of 1965-1985, the labor and border enforcement conditions in the United States produced a stable, well defined population of migrants, according to Massey, Durand and Malone. These migrants were “…young…largely undocumented…heavily male…and dawn mostly from Mexican small towns and cities. These migrants went to a handful of states” (Ibid., 70). However, the IRCA changed the entire landscape of immigration. After 1986, the United States embarked on a series of repressive policies, police actions, and political campaigns that ushered in a new era in US-Mexico migration.

It is fair to say that trade negotiations and immigration policies were formally joined together for the first time in the United States when Congress passed the IRCA. Immigrant rights activists campaigned against the law because it contained employer sanctions, prohibiting employers for the first time on a federal level from hiring undocumented workers. Those advocates said the proposal amounted to criminalizing work for the undocumented. IRCA’s liberal defenders pointed to its amnesty provision as a gain that justified the sanctions, and in that regard it is true
the bill eventually enabled over four million people living in the United States without immigration documents to gain permanent residence (Linder 2011, 14).

Few noted one other provision of the law. The IRCA set up a Commission for the Study of International Migration and Cooperative Economic Development to examine the causes of immigration to the United States in great detail. The Commission remained inactive until 1988, but began holding hearings when the United States and Canada signed its bilateral free trade agreement. After Mexican President Salinas started pushing for a similar trade agreement with the United States, the Commission created a report to President George Bush Sr. and to Congress in 1990. It found, unsurprisingly, that the main motivation for immigrants coming to the United States was economic in nature. In order to slow or even halt this flow, the report recommended promoting greater economic integration between the migrant sending countries and the United States through free trade and that US economic policy should promote a system of open trade. It concluded that “…the United States should expedite the development of a US-Mexico free trade area and encourage its incorporation with Canada into a North American free trade area” (United States Commission 1990, 11),” while warning that it takes many years – even generations – for sustained growth to achieve the desired effect.

The negotiations that led to the eventual signing of the NAFTA started just months after this Commission report was released publicly, thus it is safe to conclude the report did have an impact on the political leadership of the United States in a positive way. That said, Mexican President Salinas and others ended up touring the United States and espousing the potential benefits of the NAFTA at a time when the general populace was feeling particularly insecure and anxious about high levels of Mexican immigration. This is precisely the reason political officials
from the United States and Mexico spoke extensively with the general public about the way free trade would actually reduce immigration by providing employment for Mexicans in Mexico. It was an argument that was, by and large, skeptically received, because – if one bought into it – that could also mean American jobs would be the ones supplied to Mexico to keep them at home. It was a virtually impossible feat to convince the American public, especially in the early 1990s, that their jobs would stay in place and that free trade would simply help Mexicans achieve a similar breadth and quality of jobs and thus remain happily in their own country as a result. This view of the NAFTA was well crafted and articulated by politicians who considered it a utopian perspective for all Americans, but it was never accepted or embraced by the general populace across the United States.

As Massey, Durand and Malone illuminated in their book, the opinions of the American labor sector regarding immigration from Mexico and the resulting policies governing it have been conflicted and disjointed throughout US history. While some advocates of greater US-Mexico economic cooperation point out the productivity that immigrants generate for the US economy, vastly more Americans push back on this idea for a variety of socio-cultural, racial and economic reasons. Emily Edmonds-Poli and David Shirk point out in their book, Contemporary Mexican Politics:

…different aspects of US immigration policy have long worked at cross purposes…partly due to the fact that powerful economic interests such as agribusiness firms pressure lawmakers not to restrict their access to low-wage labor. At the same time, politicians feel pressure from constituents who, for a variety of reasons, demand restrictions on the number of immigrants, especially those without proper documentation, and increased border security. (Edmonds-Poli and Shirk 2009, 354)
US policy with respect to Mexico has been similarly inconsistent and even contradictory, especially in the 1990s when Bill Clinton was President and the NAFTA was eventually signed. The United States was experiencing an unprecedented wave of economic prosperity at the time, and the income level gap between the wealthy and the rest of America was increasing. Politicians were staying away from the sensitive topic of immigration for the most part, and anti-immigration sentiment was softening somewhat, but Jeffrey Davidow, US Ambassador to Mexico between 1998-2002, writes in his book, *The US and Mexico: The Bear and the Porcupine*, that “there was a nagging anxiety about the growing number of foreigners in the United States. Americans were asking, ‘Where did all these people come from?’ (Davidow 2004, 111).

The numbers of immigrants had grown considerably over the years. The census of 2000 revealed that the United States had the largest population of non-native born residents in its history. More immigrants arrived during the 1990s than had lived in the country in 1970. Latinos made up the largest segment of the immigrant population. As Davidow points out, “American-born and immigrant Latinos had surpassed African Americans as the nation’s largest minority. And Mexicans dominated the Hispanic influx. About 800,000 natives of Mexico lived in the US in 1970. Thirty years later there were about ten million” (Ibid., 111). It seemed that the tremendous influx of Mexicans into the United States in the 1990s was actually facilitated by the IRCA, which was in direct contrast to its stated intents. The law was originally designed to stop illegal immigration, primarily by beefing up the Border Patrol and by making it difficult for employers to hire undocumented aliens, thus reducing the magnet of employment (Edmonds-Poli and Shirk 2009, 356). However, as Davidow explains, the strengthening of the Border Patrol did
very little to stem the increasing flow of immigrants. The employer penalties proved to be unenforceable. In reality, they were designed to fail. “Regulations required that employers simply ask job applicants for identification to prove legal residence or citizenship in the United States. Further employer investigation or inquiry was not required, expected or delivered. Employers were conveniently able to keep hiring workers whose documents they knew or strongly suspected were false” (Davidow 2004, 114).

During the early 1990s political push for passage of the NAFTA, both Presidents Bush and Clinton inadvertently helped to foment anti-immigrant sentiments among Americans by encouraging false expectations such as reduced migrant flows as a result of increased Mexican development. Hufbauer and Schott explain in NAFTA Revisited that many economists at the time of the NAFTA negotiations challenged such assertions that Mexican immigration to the United States would be slowed by the agreement. In the short term, many argued, the NAFTA was likely to increase Mexican migration from rural areas affected by the US farm exports and from urban areas hit hard by the competition from American factories (Hufbauer and Schott 2005, 57). Still, the fact that politicians from the United States and Mexico touted lower immigration as a way to sell the NAFTA to Americans speaks volumes about their perceptions of prevailing national sentiment about the rising levels of foreigners entering the country. The real questions about labor migration proved to be more complex and difficult than was acknowledged in the scope of the NAFTA negotiations. Economics, social inequality, human rights, politics and a multitude of additional sensitive issues are all wrapped up in any discussion about labor migration between the United States and Mexico. The national discourse and chatter in the lead-up to the NAFTA negotiations brought these issues to the forefront of public
consciousness on both sides of the border, and highlighted the frustrations and fears that Americans had about their Mexican neighbors crossing the borders to take advantage of their social programs and jobs. Unfortunately, raising concerns and stoking fears was the primary accomplishment of the NAFTA-related discussions on immigration, and the document itself left the labor mobility question completely untouched, failing to offer any potential solutions to the issue.

Fears About Maintaining Sovereignty in the US and Mexico

In addition to the more tangible and measurable concerns about immigration and its impacts on US jobs and resources, at a more esoteric and philosophical level there were also genuine fears among Americans and Mexicans alike about how the economic integration would ultimately be managed by their political leaders. As Ann Kingsolver describes, the NAFTA vote was about more than the actual text and information contained in the policy. She says it “…constituted a symbolic assertion of national identity, a version of history and sovereignty based on a particular understanding of who constituted each nation’s public” (Kingsolver 2001, 49). Mexican writer and political commentator, Federico Reyes Heroles, expands on this thought in an essay on this notion in NAFTA and Sovereignty, indicating that sovereignty is very much about understanding where countries begin and end. He points out that Mexico is technically a part of North America, but he wonders whether it really belongs in that grouping. He poses the question, “And, if so, which Mexico? The Mexico of the north, with its vast plains that produce cereals and where the mestizaje is total or nearly total? Or southern Mexico, where different ethnic groups live in the same conditions as they did centuries ago and speak languages whose roots have nothing to do with contemporary Spanish?” (Hoebing, Weintraub and Baer eds. 2006,
69). Indeed, although a river serves as the border between Mexico and Guatemala, the ancient Mayan culture is not contained by that river. In Mexico, the difficulties of geographic, racial and ethnic integration make the idea of nation as a political community far less important than it is in Mexico’s two northern neighbors.

The NAFTA negotiations stirred up questions and thoughts in all three of the participating countries about what exactly constitutes nationhood, which makes sense because the external function of sovereignty is fundamental to the formulation of foreign policy on the global stage. Reyes Heroles believes that of the three participating nations, sovereignty has been leveraged most pervasively by the United States in its national security doctrine. “In this sense, various US administrations have discretionally identified those factors – a canal, another country’s increasing arsenal, energy, or simply an ideology – that could impede the preconceived historical course that the country had set for itself” (Ibid., 71). The real question then is not why a trade agreement would inspire questions about potential external threats that may be invited closer in through increased commercial ties, but rather, why the sovereignty questions were so heavily concentrated between the United States and Mexico. On the US side, Ann Kingsolver believes the primary reason the strong public debate over the NAFTA took place amongst Americans in a way that did not transpire during the prior trade negotiations with Canada is because “fear of integration with the ‘other’ was more focused on a Mexican ‘other’ than a Canadian one” (Kingsolver 2001, 31).

That assertion does more than merely suggest that racism on some level played a significant part in influencing the negotiations, particularly on the US-side. Kingsolver explains:
…the racial contract is considered by those defining themselves as white to grant particular privileges, including economic privileges. Anti-immigrant or xenophobic language used to discuss the potential influx of Mexican laborers (and the outpouring of US jobs to Mexico) because of NAFTA… focused on the threat that racialized Mexicans presented to this unwritten but often assumed contract guaranteeing preferential employment to white US citizens. (Ibid., 112)

Historian John Tutino has written that racial attitudes of Americans with respect to Mexicans have deep roots in the relationship between the two nations, extending into colonial times. Describing the ways that American entrepreneurs in the Civil War-era of the 1860s had the habit of manipulating cheap Mexican labor to suit its capitalist interests, Tutino explains, “The construction of a national culture, political and popular, focused on asserting U.S. manly superiority and the needs of others, constructed as women and/or racial inferiors, to gain from U.S. instruction (and capital) – came during a half century of founding interaction with Mexico” (Tutino 2013, 18). Therefore, the history of racial viewpoints and engagements between the two nations was already well-documented before the NAFTA was on the political radar.

Kingsolver also points out that a similar bent toward sovereignty in a way that was more symbolic than tangible was also taking place in Mexico. In that regard, a political cartoon in the Boletin Mexicano de la Crisis published on September 23, 1995 in the aftermath of the financial crisis that ensued in Mexico after the NAFTA was passed seems to aptly summarize the NAFTA story of crisis and critique in Mexico. In the figure, an eagle, the national symbol of the United States, wearing the hat of Uncle Sam, is flying off with a coin bearing the other eagle, the national symbol of the United Mexican States, in its clutches. On the coin, the inscription reads, “We Mexicans are sunk” (Ibid., 162). The cartoon represented the feeling of the general public in
Mexico at the time that the “other,” the United States, was benefitting already from NAFTA, at the expense of Mexico and the Mexican people.

Indeed, in the scope of the NAFTA negotiations, this focus on maintaining a separation between the nations in the name of sovereignty meant that neither government was interested in ceding any real control to “the other,” even if doing so would have allowed for the creation of a larger “North American Union” to more constructively manage the integration in the region. While the goal of establishing a regional alliance to counterbalance Europe had some merit and elicited some level of support by neoliberals in Mexico, the differing views fueled by nationalism and the history of US domination of Mexican policy ultimately carried the day and forced separation. During the summer of 1993, for instance, the Ibero-American summit (Spain and the nations of Latin America, including Mexico) held in Brazil rejected the presence of the United States as an observer (Petrich and Gutierrez 1993, 1). Thus, while the US government was engaging in the NAFTA to help it compete with the European Union’s consolidated market, representatives from Mexico and other Latin American nations at the same time were talking with their counterparts from Spain about possibilities for consolidating markets to give Spain economic and political leverage within the European Union and to provide Mexico some links to Europe as an alternative to US domination in the Americas. Racially-based sentiments and alliances ran the gamut between nationalism and outright xenophobia, in reaction to an agreement that was perceived to be somehow merging two radically different countries and peoples with deeply rooted understandings of themselves, in contradiction to “the other.” As Reyes Heroles explains, “Appealing to one’s own identity for the purpose of adding to collective efforts or attaining economic or political support is, in the end, a reminder that the “other” or
“others” do not belong to the same community and that, in any given moment, they may oppose the group’s common interest” (Hoebing, Weintraub and Baer Eds. 2006, 79). Nationalism and sovereignty are thus ideas that naturally oscillate between recognition and denial.

The image of the United States as the “other” that has been cultivated in schools and other institutions over the years in Mexico has real historical bases, but is also transcendent in ways that tangibly impact more recent engagements of international relations between the two neighbors. Indeed, while Mexico had been increasing its economic ties with the United States since the 1940s, the move by the “Harvard-educated” President Salinas to engage in the NAFTA was perceived by many in Mexico as a significant opening towards the “other” that had long been treated with a high-level of suspicion given the detailed history of aggression by Americans that included the annexation of a significant amount of Mexican territory. This “huge political gamble,” wrote Larry Rohter, “has prompted a spirited public debate,” and he went on to quote Lorenzo Meyer, a distinguished political analyst in Mexico City, who said, “Our way of life is at stake…we should take decisions knowing, as much as possible, what we will gain and lose by integrating ourselves with the economy of a great power, one from which we previously considered it our historic and patriotic duty to protect and separate ourselves” (Rohter 1990, A3). Meyer was neither joking nor exaggerating about how seriously Mexicans tended to view the necessity of keeping a distance between “los yanquis” of the North.

There is actually quite a long list of discursive insults, diplomatic mockery and misconceptions regarding the attitudes of the Mexican people toward the United States that has also, for a long time, imbued the relationship between the two nations. It is clear that a more accurate and professional interpretation of what is happening between the two countries is
needed. A national poll taken by the Los Angeles Times in September 1991 and published on October 22 covered what Mexicans dislike most about Americans. Racism topped the list at 24 percent; drugs and crime garnered 19 percent; US attitude of superiority, 12 percent; US attempts to dominate, 12 percent; and US warmongering, 8 percent (Miller 1991, 1). It is important to consider opinion polls like these when gauging the degree of nationalism and concerns about sovereignty that existed at the time among the participating countries of the NAFTA. They reflect the generalized impressions that influenced their understandings of what the trade agreement might mean. Believing in many ways that the Americans were inclined to look down on the Mexican people and mistreat them, and also believing that Americans have a tendency toward aggression definitely had an influence on the Mexican populace on the periphery of the agreement, which in turn had an impact on the negotiators. The roots of these beliefs are deep and vast, of course, and well documented in the annals of historical conflict between the two countries, including but not limited to the Mexican-American War of 1846.

While Mexican politicians in the NAFTA era were successful in stimulating conversations among Mexican students and intellectuals, in particular, about the economic and social advantages that could be gained by establishing stronger commercial ties with the United States in the lead-up to the Agreement, there were still lingering sentiments among the general Mexican populace that the United States was not an entirely trustworthy and respectful international partner. Little surprise then that when US Vice President Al Gore defended the NAFTA to US citizens in a televised debate, his remark that “NAFTA was an opportunity equivalent to the purchase of Alaska” (Foster 2009, 229) was not particularly well received by those in Mexico. After all, that particular purchase, otherwise known as the Louisiana Purchase
was the largest acquisition of territory by the United States, with the third largest being the Mexican Cession of the modern US Southwest territory in 1848 at the conclusion of the war.

In some cases, even the educated ranks in Mexico made it known that they believed national sovereignty and *Mexicanidad* were threatened by the NAFTA. Ann Kingsolver spoke with “Clara,” a twenty-year old woman who planned to get a university degree in philosophy, in the summer of 1993 about the NAFTA. In response to a question about whether “el TLC” would affect national identity in Mexico, she said “…the negative side of NAFTA is that it will Americanize Mexico a lot. Already, there are a lot of US companies here for the cheap labor…and a lot of Mexican products are copies of US and European products. This will happen even more with NAFTA. And we might even lose some of our national identity. Love for what is Mexican will go down little by little…that’s what I think” (Kingsolver 2001, 84). Indeed, the increased presence of US business interests in the Mexican economy that had been building up since the 1940s had long been having a polarizing effect on the Mexican populace. Steven Bachelor’s essay on transnational corporations and working-class culture in Mexico City, in *Fragments of a Golden Age*, captures some of the hope and anticipation Mexican workers initially felt about new opportunities to work for transnational corporations like General Motors that were moving in at the time. In addition to the increased wages and benefits they received, US corporations were adept in promoting the notion that Mexican workers were, in fact, joining a “transnational corporate family…an invented sense of belonging to a larger family of employers and employees that would transcend differences of class and national origin” (Joseph, Rubenstein, and Zolov 2001, 275). Unfortunately, but perhaps unsurprisingly, the more brutal and unforgiving side of American capitalist endeavors in Mexico were often realized by laborers
after their initial excitement began to wear thin. Bachelor describes the way the corporations’
unyielding demands for increased production levels and unwillingness to raise costs by
increasing wages exhausted and alienated laborers over time. While some Mexicans continued to
embrace the opportunities afforded them by transnational capitalism in the decades leading up to
the NAFTA, others were disillusioned and fanned the flames of the *anti-yanquismo* described by
Bachelor in his essay. While he describes most of the agitation against US corporations in
Mexico as mere rhetorical flourishes, he does concede that “one need not venture too far into the
recesses of popular consciousness in Mexico to locate instances of the…corporations being
likened to gringo imperialists exploiting Mexican labor and carting the booty back to the
homeland” (Ibid., 278). Although this hostility seems to have found its expression far more
frequently in words than in deeds, Bachelor notes, “there nonetheless existed in Mexico an
underlying nationalist sentiment that served as a taproot for popular hostility against US
companies” (Ibid.).

Nationalism as an expression of people’s sentiments can certainly be stimulated by
political events like trade agreements. However, it is risky to assume that each side comes to the
table with purely national interests in mind. As Reyes Heroles points out, “The integration of
North America, in fact and in people’s sentiments, has progressed rapidly, although there also
has been resistance to integration at the discourse level, particularly within the Mexican realm”
(Hoebing, Weintraub and Baer, Eds. 2006, 81). In what may be considered a convergence of
prejudices, it is clear that the United States also suffers from harsh and phobic attitudes that are
both irrational and unproductive. California’s Proposition 187, for example, is a national
monument to intolerance, and the southern border of the United States remains a highly
emotional issue in the United States because of Mexican migration. While there may be little
tolerance for illegal migration of Mexicans, or individuals from any other country, it is not
reasonable to ignore the persistent US demand for this labor that accompanies such
demonstrations of intolerance. The consequences of phobias on both sides of the border are not
entirely understood, but nothing favorable can be expected from them. In the case of the
NAFTA, Mexican and American pressure groups were ultimately successful in leveraging the
sovereignty concept to limit discussions on any political or social engagement between the
nations that might move beyond cutting tariffs and increasing trade in goods and services.
Therefore, as described in an Independent Task Force Report sponsored by the Council on
Foreign Relations on “Building a North American Community,” social issues like immigration
and drugs were left off the table in the NAFTA and there was no appetite by the country
participants to discuss potential progress toward establishing a Customs Union or a Common
Market more akin to the European Union model (Report of the Council on Foreign Relations
2005, 18-21).

Canada’s Foreign Minister for International Trade at the time of the NAFTA
negotiations, Roy MacLaren, participating along with Carla Hills and their Mexican counterpart,
Jaime Serra Puche, in a debate about the NAFTA ten years after its signing at the Council on
Foreign Relations was the most explicit of the three leaders about the way notions of sovereignty
impacted his approach to the agreement. He noted that in Canada there was indeed skepticism
about and opposition to the idea that the NAFTA might be a notch toward a progression to a
common market and a Customs Union:
Certainly, it's not in any way comparable to that straight-line progression that succeeded in Europe. The European Union is a political entity. It's not an economic entity primarily…and there's no way that Canada's going to engage in a political integration in North America as would be represented by movement toward a Customs Union and Common Market. I say that because we're deeply concerned in Canada about a subject that will be fully familiar to Americans, and that is our sovereignty. We are conscious that the United States, to which 85 percent of our merchandise exports now go, has, as the result of that extraordinary trade flow, a certain leverage, and it makes us uneasy that that leverage has reached the degree that it has. (Bhagwati and Haass 2004, 11)

While MacLaren was clearly being direct and honest about the influence of the sovereignty concept on the NAFTA negotiations, the meaning of sovereignty nevertheless remains a nebulous idea in the region. As Sidney Weintraub points out, “Being next to a dominant economic power has meant that neither Canada nor Mexico could have a completely national monetary policy” (Hoebing, Weintraub and Baer, eds. 2006, 148). Indeed, neither could expect to run protracted fiscal deficits without some resulting impact on their credit ratings when borrowing in the US and international capital markets. Likewise, he says, “The United States discovered long ago that having a poor, low-wage country next door limited its control over who enters the country” (Ibid.). Again, Weintraub is correct that while there is an abundance of political rhetoric about regaining control over the US border, the truth is that this control never really existed in the first place. As he describes it, “Narcotics cross borders. So do air and water pollution. Information cannot be bottled up in this age of cyberspace” (Ibid.). Indeed, other than extremists on both the left and the right, most people generally recognize that some sovereignty is sacrificed in the course of international economic activity and the development of international relations in exchange for benefits from other countries. The real question, and one that the NAFTA certainly did not address, is how best to balance desires for political sovereignty with
the need to engage foreign neighbors increasingly, in more intimate ways, and often so that the benefits of trade agreements and economic integration generally speaking is shared in the region.

The NAFTA, whose objective was to integrate the three economies of North America, was explicitly designed to bring them closer together as a regional unit. Most tariff and nontariff barriers were expected to be eliminated. Investment within the region was poised to be relieved from prior screening (Hufbauer and Schott 2005, 62). However, the very choice of the Free Trade Agreement model as opposed to the Customs Union or common market was an indication of its more limited objectives. The NAFTA is different from the EU in another significant way. In the NAFTA there is a powerful country, a middle power and a developing country participating together. The EU had several near equals (e.g. France, Germany, the UK, etc.) engaging in its agreements, particularly when it was first forged. Thus, the dependencies in the NAFTA were more asymmetrical than they were initially within the EU, though this has changed since the NAFTA’s passage and the EU has added increased complexity and challenges as it has brought mid-level and even developing countries into the fold. Persistent challenges with adding developing countries to the EU are highlighted by the 2015 financial crisis in Greece. Wealthier nations like Germany struggle to justify supporting their neighbors’ economic development without increasingly harsh conditions attached to the monetary support. Clashes over related issues of policy and culture differences continue to threaten stability of the Union and the region itself in recent years.

Weintraub explains that while the asymmetry existed before the NAFTA came into existence, the agreement actually provides the ability to expand the sovereign reach of the two weaker nations through the expanded economic relationship with the global superpower of the
United States. He points out that “one should not push too far the sacrifice of sovereignty inherent in NAFTA. What the NAFTA does is push one step further the tendency that has long existed for sacrificing some national prerogatives in exchange for compensating benefits” (Hoebing, Weintraub and Baer, eds. 2006, 151). Reyes Heroles also warns of the dangers of exploiting sentiments around the NAFTA by using the sovereignty concept, as the result can damage the inevitably intensifying relationship between the countries. He feels that the extent to which the US, Canadian and Mexican governments resisted the intentions to link the countries closer together through a Customs Union or Common Market or made concessions in the NAFTA negotiations to pressure groups claiming national sovereignty concerns, actually allowed if not encouraged such groups to flourish. Reyes Heroles states, “Only through a deliberate policy of understanding will it be possible to attain a more balanced version of facts among the North American nations” (Hoebing, Weintraub and Baer, Eds. 2006, 82). Still, it is one of the paradoxical realities of the agreement that, in aiming to limit the disadvantages of increased integration, the signatory nations ended up limiting the advantages of the agreement. In the end, the NAFTA proved to be more of a measured step than a leap toward regional integration, as it might have been if the three had not been as concerned about maintaining separations, but the fact that they took the step at all ensured that all three nations would jointly embark on a reformulation of the meaning of sovereignty over time.

**NAFTA Opposition in Mexico**

**Fears of US Commercial Dominance**

It is important to remember that, for Mexico, engaging in the NAFTA marked a milestone in its departure from the political and economic policies that it had previously
maintained for decades. As E.V.K FitzGerald explains, Mexico had abandoned its attempt at independent national industrialization along the ‘East Asian’ model by the mid-1980s, largely as a consequence of the 1982 debt crisis. The de la Madrid administration unexpectedly entered the GATT in 1985, effectively lowering its trade barriers with the United States without demanding or receiving reciprocal concessions. “NAFTA was thus regarded by Mexico not just – or even principally – as a channel for privileged access to the US market, but also as a means of ‘locking in’ Mexican macroeconomic policy and thus ensuring the confidence of the domestic and foreign investors required for industrial modernization” (Bulmer-Thomas and Dunkerley 1999, 102).

Beyond these general aims, articulated by Mexican politicians in the lead-up to the agreement, it seems that Mexico entered into the NAFTA negotiations with virtually no other publicly-stated commercial agenda of its own, which makes sense considering its relative stage of development at the time.

On the other side, Edmonds-Poli and Shirk describe, the United States did have a series of motivations in mind. “Perhaps highest on the minds of many US politicians was finding a way to stay competitive with the European Union. Easy access to low-wage Mexican labor was seen as an integral part of its strategy. Also important were US desires to secure access to Mexican oil and curtail Mexican emigration by creating new economic opportunities and incentives for Mexicans to stay in their homeland” (Edmonds-Poli and Shirk 2009, 361). While both sides had real economic interests in mind when approaching the agreement, not everyone was excited about the prospects of integrating the two economies. In Mexico, one of the biggest fears stemmed from the question of how long it would take the country to truly benefit from the agreement, since it was the country in the group with the highest tariffs and the least competitive
industries. Therefore, most of the populace rightly expected they would experience even stronger commercial competition than they were used to from the United States, as well as the resulting economic dislocation. Their inability to exert enough pressure in the negotiations to exact significant concessions did nothing to ease these concerns.

Ethnographer Ann Kingsolver took the opportunity to speak about these competitive apprehensions with “Claudio,” leader of a union of *ejido* farmers in a small community in Mexico in the summer of 1993 and find out what he thought of the NAFTA. He said:

> Well I think it will be even harder, farming [after NAFTA is ratified], because it is very difficult for Mexicans to compete with those in the United States. Farmers here are behind, especially since they are totally mechanized there in all their work. It’s going to be very difficult for us to compete. Our production is always lower in comparison with theirs. Their prices are lower, but they can recover the costs through their high production…. (Kingsolver 2001, 94)

In the end, “Claudio’s” concerns were validated. The adjustment costs of the trade deal, in terms of the market access that the United States gained, particularly in agriculture, were both real and painful for the affected Mexican farms and communities. Taking corn as one example, Hufbauer and Schott explain the impacts of the NAFTA on *ejidos* in Mexico, which are responsible for about 62 percent of total domestic corn production. Most *ejido* holdings are too fragmented to enable economies of scale or to use modern farming techniques. As a consequence, the Mexican agricultural sector tends to provide temporary and part-time employment for some, but does not provide a decent standard of living (Hufbauer and Schott 2005, 335). Many of the *ejido* lands are of such poor quality they lack a lot of alternatives to growing corn. However, the liberalization of corn under the NAFTA ended up putting these small, under-resourced farms essentially in competition with corn farmers in the United States, who have benefitted from enormous
agricultural subsidies granted by the US Congress and were thus not affected at all by the tariff reductions. The result is not hard to predict. “Lacking alternatives, poor Mexican farmers continue producing corn despite the falling prices; in fact, they increased both the acreage and labor devoted to cultivation” (Ibid., 343). Not surprisingly, this dynamic has led to many Mexicans losing their land and, along with it, the ability to feed themselves and their families.

Jamie Serra Puche, former Mexican Trade Minister, spoke along with his colleagues at a Council on Foreign Relations event in 2004 about the competitive pressures he faced from the United States even during the negotiations themselves. He noted that while he was negotiating the NAFTA with his US-based counterpart, Carla Hills, he had many opportunities to experience the results of the asymmetry of information that existed between the two countries at the time. He noted, “When Carla said something here in New York or in Washington when we were in the middle of the negotiation, it would come up in the Wall Street Journal, page 28. [In] Mexico, [it would be on the] front page in every single paper. And then when I would say something trying to push the Americans, it would not come up in the US papers, but it would come up in the Mexican papers saying that I was selling out the country” (Bhagwati and Haass 2004, 15). He further explained that the economic asymmetry between the two countries created an overwhelming feeling across the nation, “…that we were a very poor nation incapable to compete with the Americans, and therefore that as soon as NAFTA kicked in, we were going to be slaughtered by American products” (Ibid.).

Indeed, it was the business and labor communities in Mexico that were the most focused on the competitive threats of the agreement, since the consequences of it would have the greatest impact on their interests. Mexican workers, especially those employed in inefficient import-
substitution industries (those created by protective tariffs), braced for greater competition from imports. While much of the trade union hierarchy, linked to the ruling party since the 1930s, tended to support Salinas’ NAFTA initiative overall, at least publicly, rank-and-file workers, who instinctively distrusted the government, vocally complained that “…the trade unions here are not discussing the matter and they have not been brought into the negotiations” (Hellman 1995, 201). On the eve of the NAFTA agreement, Judith Adler Hellman, a leading authority on Mexican politics, went into the homes and workplaces of a variety of Mexican stakeholders, from rich industrialists to poor street vendors, to ask them what they thought of the pending economic and political changes expected from the agreement. One teacher said:

There are sectors here that think that there will be a favorable standardization of salaries, levels of wellbeing and so on. This is the expectation that the Mexican government is trying to encourage, in order to promote the idea that we are going to benefit from all that is better or more advanced in American society. But to me it looks like the standardization is downward because under the logic of comparative advantage, what Mexico has to bring is cheap labor…. (Ibid., 202)

Hellman’s various interviews shed light on the prevailing sentiments among Mexican industrialists and laborers at the time. They offer personal portraits of individuals struggling to understand the broader implications of agreements they could not engage in directly, or even read, but were rather negotiated on their behalf by government officials in which they had varying levels of trust. Beyond that, most were aware on some level that the agreement was an experiment in uncharted territory, since there had never before been such a discrepancy in the levels of economic development among the participants. As Editors Richard Belous and Jonathan Lemco write in a foreword to the book, NAFTA as a Model of Development, the NAFTA was, “…a laboratory for those concerned about what such agreements will do to wages,
labor mobility, labor unions, investments, living standards and economic development” (Belous and Lemco 1995, 19). Nobody in Mexico or the United States could predict exactly who would emerge as the winners and losers in the head-to-head economic competition created by the NAFTA agreement. That said, as Ann Kingsolver describes, there was a general sense in both countries that “…the overall winners would be the owners of capital, whether citizens of Mexico, the United States, Canada or other countries” (Kingsolver 2001, 72). Labor scholar Harley Shaiken reflected after the agreement, the most pressing issue facing workers in all of North America at the time the NAFTA was being negotiated was not whether there would be a net gain or loss of jobs, which was the primary focus of media attention, but rather the probability of downward pressure on wages in all three countries because of the “harmonization” of the three national markets that was expected to happen (Ibid.). The clear implication of this assessment is that while Mexican and American workers were characterized in the media and political rhetoric as being in direct competition with each other, the overall winners would ultimately be the wealthiest capitalists, whether citizens of Mexico, the United States, Canada, or other countries. Political firebrand, Ralph Nader, frequently seized upon these concerns and amplified them as much as he could, particularly on the US side of the agreement, and was often quoted as saying that the NAFTA was “…of the DuPonds, for the General Motors, and by the Exxons,” primarily benefitting the multinational companies at the expense of the general public of all three nations (Day 1992, 1). It is difficult to argue with this logic, given these wealthy and informed capitalists were the parties to the agreement that actually had some visibility and access to it and were consulted by the politicians who negotiated it in order to ensure proper protections. Agriculture subsidies, for instance, were put in place in the United States to mitigate the far-reaching
concessions that were being made, which would have otherwise put some strain on large US agribusinesses.

The neoliberal version of the NAFTA story generally told about the ability of people of all three nations to improve their quality of life and their access to products from the other partners. The counter-story foretold the impending losses of rights and wages and increasing inequalities in all three nations. In Mexico, the fear that accompanied the knowledge it was the least developed of the group was that the neoliberal benefits to their industries may not be as significant as the benefits to the mega-corporations of the United States. Mexico’s leaders, many having studied in the United States and spent significant time in the territory, knew the United States competitors were typically better resourced and working higher up in the value chain in terms of their technological inputs and know-how, not to mention government supports. Mexicans of all educational levels either knew or had the instinct that the agreement would put their products in competition with US-made ones and, for some, this was symbolic of the Mexican way of life coming into competition with the American way. As “Gustavo,” a university student in Mexico, told Kingsolver in an interview in 1993, “If we come to value foreign things over Mexican things, because Mexican goods can be of very high quality and yet we Mexicans might not appreciate that because we want to buy foreign made things – even if they are of lower quality” (Kingsolver 2001, 90). In a way, sentiments like “Gustavo’s” reflected a bit of national insecurity on the part of the developing country encountering its larger northern neighbor in new ways. It also reflected some of the experiences already witnessed in Mexico in the decades prior to the NAFTA, when American companies increasingly moved in and beat out traditional Mexican ones.
As historian Jeffrey Pilcher documents in his essay on food and beverage modernization in Mexico in *Fragments of a Golden Age*, “Urbanization clearly affected eating habits, making it impossible for most workers to enjoy a traditional afternoon *comida* and *siesta* with the family, forcing them to carry their lunch or buy it in a restaurant” (Joseph, Rubenstein and Zolov 2001, 81). He says The Ideal Bakery in Mexico came out of the first version of American Wonder Bread in the 1930s, but lost customers to the current market leader, Bimbo Bread, in 1945. Meanwhile, “misguided consumers abandoned crusty *bolillos* fresh from neighborhood bakeries in favor of chewy, plastic-wrapped *pan de caja*” and “…housewives…began making geometrically precise sandwiches instead of *tortas compuestas* overflowing with pork, beans and avocados…” and finally, “sales of *alimentos chatarra* (snack foods) likewise boomed at the expense of corn-based snacks called *antojitos*…such as enchiladas and quesadillas” (Ibid.). While Pilcher was describing certain isolated cases of globalization’s impacts on the food industry in Mexico, it is an example that was eventually repeated in many other industries too, with longstanding Mexican products and traditions bested by the novelties and conveniences of foreign offerings.

In the end, Mexico’s politicians marshalled enough support to ensure the NAFTA’s passage, but stories like the ones told to Kingsolver indicate that many Mexicans students and workers did not agree with President Salinas that they would be wholly served by the NAFTA’s passage, and they were also clear about their sense of being disregarded in the negotiations. Lacking any tangible ways to engage with the agreement, young Mexican students and laborers simply had to accept that their government was likely putting them directly into competition, in many cases, with an unbeatable foreign opponent. Whether the Mexican laborers and people
were attuned to the agreement or not, in many cases the agreement would ultimately harm their ability to secure economic futures for themselves and their families, and strain the cultural fabric of the nation. Therefore, those on the periphery of the negotiations that, without reading the document, had either the experience or the instinct to know it could be damaging in some way to them were right.

Fears of Losing Land Rights

The spectacle of the NAFTA agreement overshadowed a lot of the broad-based economic reforms that had been quietly taking place in Mexico since the 1980s. It locked-in a lot of these reforms as well. Mexico had been engaged in a process of restructuring its economy to allow free markets to operate in spaces that had previously been dominated by government intervention for decades before the trade negotiations were opened with the United States and Canada. One of the changes made before the NAFTA that received little attention in the United States but had important ramifications in Mexico was Mexico’s restructuring of its agricultural land tenure policies, which impacted the nation’s *ejido* program. While the adjustments made to Mexico’s Constitution to accommodate these land reform changes were taking place before the NAFTA, the trade agreement inevitably became the focal point for people in Mexico to voice concerns that they were experiencing as a result of the massive changes to Mexico’s agricultural sector that were taking place in the country. The truth was that the NAFTA stood only to accelerate these changes, which would have taken place whether the agreement had been ratified, or not. That said, it also created additional challenges of opening the agriculture sector in Mexico that was already under the strain of change to increased competition with large and well-resourced agribusiness representatives from the United States.
Ejidos are Mexican farms or ranches that operate under the collective control of the groups that work them. As described in a statement by the Federal Reserve Bank of San Francisco, “Under the Mexican government’s ejido program, a group of peasants could petition the government for access to farm land. The government dedicated public land to ejidos, and also acquired land for them from large private holdings. When the government formed an ejido, part of the land was held for group enterprise, with the rest allocated to individual farmers” (Schmidt and Gruben 1992, 1). By the time the NAFTA was negotiated, nearly half of Mexico’s land mass was held in about 28,000 ejidos, occupied by more than 2.5 million farmers (Ibid.). Although the ejido program did not become institutionalized in Mexico until the 1930s, the government’s role in the system was an outgrowth of the Mexican Revolution of 1910. Under the regime of Porfirio Diaz (1876-1910), seizures of lands traditionally held by indigenous peoples were commonplace. In many cases, these seizures took place without due process, and the land turned up in the hands of President Diaz’ supporters. These abuses were among the motivations for the revolution that broke out in 1910, with the chief advocate for land reform, Emilio Zapata, leading the charge.

In order to appreciate the significance of the ejido lands for the people and culture of Mexico, it is important to understand some of the history of the Diaz government and actions leading up to the 1910 revolution in Mexico. By all accounts, the central government of the country had remained weak, divided and dominated by local officials until Porfirio Diaz seized control of Mexico in 1876 through the use of military force. Diaz inherited all of the problems that were still lingering in the post-1810 revolutionary environment, with a bankrupt national treasury, a mining system still in shambles, and a farm economy that was limping along without much improvement in method or technology from the colonial days. Leticia Reina describes the
way Diaz and his supporters ushered in a new era of political and economic development that appeared to be tranquil in comparison to the revolts and conflicts that preceded his presidency. Reina describes the *Porfiriato* as an “authoritarian political system” that was clearly “not a democracy” (Servin, Reina and Tutino, Eds. 2007, 100). She indicated that Diaz prioritized the “construction of railways, industrial mining and export agriculture” (Ibid.), which was in line with the international interests of the United States and Europe, as well as the national and regional elite of the time. During the *Porfiriato*, capitalism was revived and the Mexican economic engine was re-engaged, the central state was solidified, and international relationships were developed to draw foreign investments into the country, which was in desperate need of funds to rebuild its infrastructure. So what was the problem? How did all of the progress made during Diaz’s 33-year rule lead to yet another revolutionary uprising in 1910?

The most basic problem was that, in spite of all the renewed economic activity in Mexico at the time, quality of life was not improving for the indigenous communities across the country, particularly the rural poor. Part of this may have been a basic lack of appreciation for the ways that a sharp increase in capitalist endeavors in Mexico would affect rural communities and their ways of life. Porfirio Diaz perhaps did not realize, or did not particularly empathize with the loss of autonomy and security for rural, indigenous communities that accompanied the rapid influxes of capitalist activity that his Administration supported and encouraged. It was also clear to the indigenous societies of Mexico that liberal ideas had failed to generate popular participation at the central levels of government. Leticia Reina points out that while elections were held throughout the nineteenth century in Mexico, “…they were rarely genuine; they did not offer real contests among different political parties or groups independent from the president, and they did
not seek or respect the vote of the majority” (Servin, Reina and Tutino Eds. 2007, 101). This situation only seemed to become more pronounced under the Díaz regime. Díaz kept himself in power through the skilful use of persuasion, threats, strong-arm tactics of rural leaders, and even assassinations. Elections were held, but they were shams for the most part, always manipulated by the powerful. Reina describes the manipulation of the liberal concept of voting, saying, “In liberal states, even in authoritarian states claiming liberal legitimacy, voting gradually becomes the fundamental tool legitimating the class that holds ruling power” (Ibid.). Therefore, whether elections in Mexico were real or staged, they were viewed by leaders as an important part of the process of legitimizing political power, even as the peoples were becoming more aware of the problems and beginning to protest them. Tension over false elections was mounting, as Díaz continued to cling to power under false pretense.

Another element of the *Porfiriato* that caused increasing tensions on the home front, even among the upper-classes, was the increasing engagement of powerful foreign entities like the United States in the Mexican economy and Mexican affairs. Friedrich Katz points out in his essay in *Cycles of Conflict, Centuries of Change* that Díaz recognized he needed foreign investment in order to repair the country’s infrastructure and get mines and other capitalist ventures up-and-running again, thus he “…invited American investors into the country and granted them huge concessions and subsidies…” (Servin, Reina and Tutino Eds. 2007, 187). Diaz changed Mexican laws to be more favorable to foreign investment, and the mines soon became more productive.

At the turn of the century, oil exploration began in earnest and Diaz supported American exploitation of Mexican oil resources, which catalyzed Mexico’s emergence as one of the largest
petroleum producers in the world. Despite the obvious economic advantages that accompanied increased US financial interests, even Mexico’s elite questioned some of the enormous concessions Diaz had granted to the Americans. Katz describes how prominent Mexican officials surrounding Diaz challenged his decision to sell certain desirable lands in the State of Chihuahua to the Americans at insufficient prices, and to allow American investors too large of a stake in the development of banking institutions and railroads. The prevailing sentiment was that the strategy “threatened to create such American predominance in Mexico that the independence of the country was in real danger” (Servin, Reina and Tutino, eds. 2007, 188). Diaz began to make certain political moves that challenged US interests in Latin America and favored those of rivals in Europe and Asia, but it was too late; “Most Mexican public opinion saw Diaz as an agent of the United States at a time when anti-American feelings were strong and rising in Mexico” (Ibid., 190). Indeed, some of the economic ties forged between the United States and Mexico under the Diaz regime left Mexico vulnerable to downturns in the United States, which did occur in 1907 and 1908. The slowing US economy and high inflation caused the country to slip into a depression, which impacted middle and upper class Mexicans. While these groups had supported Diaz’s regime when the economy was doing well, they began to turn against him when credit tightened and the government raised taxes.

The dynamics of the lead-up to the 1910 revolution were a bit more complex in nature than that of the 1810 revolution, but there were also some key similarities. Like in 1810, rural peasants were willing to take up arms and fight, in part, because of their increasingly deteriorating social and economic situations. During the Diaz regime, land had increasingly become concentrated in the hands of the wealthy and ruling class, causing a loss of peasant
autonomy and ability to carve out spaces for subsistence farming. John Tutino also points out in From Insurrection to Revolution in Mexico: Social Bases of Agrarian Violence, 1750-1940, “…the decision to make the destruction of peasant community autonomy a political priority made villagers acutely aware of the need to defend their interests” (Tutino 1989, 356). Indeed, land was sometimes confiscated from original owners under the Diaz regime and lands that were seized as part of “church reform laws” or deemed “public” lands were sold to individuals and interests with political connections to Diaz, including foreign firms. Just like in 1810, the new landowners used their holdings to produce export crops, limiting maize production to marginal lands of poor quality. When prices rose, the indigenous began starving again. Unlike in 1810, peasants had a clearer idea of what was happening to them, and ways to fix it that went beyond pure vengeance. As Mary Kay Vaughan points out in Cultural Politics in Revolution, “The enemy was transparent: the hacendado, the plantation manager, the Rockefellers, the Porfirian elites. The solutions were evident: land reform, worker rights, and technology in the hands of producers” (Vaughan 1997, 38). In some cases and in some locations in Mexico, workers were more successful in asserting their influence against the establishment. As Tutino indicates, “In the more marginal regions such as Yucatan, the Sierra Gorda, and Sonora, mass insurrections could simultaneously claim vengeance and assert rights to greater autonomy against still weak and divided elites” (Tutino 1989, 359).

In fact, in some cases, the divisions among elites had the opposite effect on the indigenous, dividing them by pulling them into rebellious movements with various ideological underpinnings. Tutino describes, “By 1910, the divisions among Mexican elites were deep and enduring. The resulting political divisions were so extreme that many were willing to court
agrarian insurgents as allies against elite opponents” (Tutino 1989, 358). The spark that ignited them into a revolutionary uprising in 1910 was a contested election between Diaz and Francisco Madero, who challenged him with a mixed political agenda that championed free press and elections, and a negative stance toward the growing domination of foreign business interests. Land reform along the lines of what peasants wanted was not part of his platform. Despite his stance, an explosion of widespread anger accompanied an announcement that Diaz had been re-elected almost unanimously. “What followed was a political civil war that persisted in the face of mass and widespread agrarian insurrections – allowing those mass movements to endure and to place their agrarian demands in the center of the political arena” (Tutino 1989, 358). The various political contenders for control of Mexico included Madero, but also Victoriano Huerta who commanded the armed forces and represented a continuation of the old regime, and Venustiano Carranza, who fought against Huerta with his forces of Constitutionalists, who were also fierce nationalists. Also engaged in the revolutionary uprisings was Pancho Villa, who was sympathetic to peasants’ calls for land reform, but often combined those issues with other political battles internally and against the United States with nationalist sentiments. Finally, a true voice for returning communal lands to peasants was Emiliano Zapata, who led a guerrilla movement that allied with Pancho Villa, and forced Mexicans toward a revolutionary reconstruction.

In many ways, the 1910 revolution was more complicated and certainly more politically charged than the one in 1810, but certain elements of the original insurrection carried through one century later. In 1910, as in 1810, there was a confluence of factors including the deterioration of autonomy and security of peasants who lost lands to wealthier individuals and struggled to find a means of subsistence. There was also a heady mixture of international
dynamics and pressures at play, although the United States was more of a factor in 1910 than Spain and France were in 1810. It was clear in 1910, as it was in 1810, that there were divisions among elites as to who should govern the country and what ideology should guide that governance structure. In many cases, the poorer classes were sucked into the undertow of the leadership vacuum.

What does seem clear is that stakeholders in the latter revolution had a clearer idea of what they wanted to achieve in terms of revolutionary outcomes like greater political participation, land reforms, and protections of worker’s rights. But the 1910 revolutionary effort could be considered as divisive in its aims, if not more so than it was in 1810, with the unique qualities, needs and desires of the various indigenous communities comprising Mexico becoming sharper and clearer to all. Those divisions were perpetuated by the compromises made by the regime created to repair the damage of the revolution. As Lorenzo Meyer describes, the new regime “adapted to social circumstances of corporatism, offering abstract justice to all and participation to rural communities re-created as corporate ejidos, and to state-sanctioned trade unions, chambers of commerce and industry, and others. All were incorporated into a mass party and ruled by presidents with powers that knew few limits, legal, political, or other” (Camin and Meyer 2010, 284). It was a compromise that included revolutionary leaders like Venustiano Carranza securing political control with his Constitutionalist Army, along with significant agricultural reforms that were demanded by Emiliano Zapata and his guerrilla fighters. It was an imperfect compromise that ultimately did not achieve the national agrarian reform program peasants were hoping for, but it was also true to Mexico’s longstanding history of divisions and concessions.
As a result of the 1910 revolution, largely waged as a result of land reform, Mexico’s constitution had been written in Queretero in 1916-17, and it had created the ejido system of communal land tenure. The new ejido system was designed to prevent the re-emergence of large private rural estates by making consolidation difficult or impossible. “Ejido land could be farmed only by members of the cooperative or the individual farmer. Land size was limited and only becoming smaller, with further subdivisions by succeeding generations” (Schmidt and Gruben 1992, 1). Despite the noble intentions of the ejido program to allow lands for people to plant food primarily for sustenance purposes, the result was a national agricultural system dominated by uneconomically small, undercapitalized farms. Indeed, as Maxwell Cameron and Brian Tomlin point out, the promise of land for peasants was a pillar of revolutionary ideology, but the gross inefficiencies of the ejidos, combined with relentless population growth that had exploded in the 1950s, had turned the promise sour over time. They say the ejidatarios (owners of ejido plots) and those who aspired to hold land knew that the mythology of the revolution and the reality of everyday life were discordant. First, the amount distributed was little, and then every generational exchange divided the land even further. When the land was first distributed, sometimes it would contain limestone or be sterile land where nothing would grow. This reality would spell life or death for peasants (Cameron and Tomlin 2000, 3). In a sense, the land grant was the most basic way the government could take care of the rural and indigenous peoples of Mexico and allow them a modest role in the economic and political activities of the state. However, government officials often did a poor job of distributing land to the people. As Stephen describes, “The Ministry of Agrarian Reform Delegate’s Office in Chiapas appears to have arbitrarily made promises to one community after another without ascertaining whether the
promised lands overlapped with those being granted at the federal level by presidential decree” (Stephen 2002, 123). The lack of attention and care given to land grants, when they did occur for the indigenous, created a legal and political nightmare for the Ministry to unravel. Attempts by indigenous peoples to seek support from their governments to rectify the “overlapping maps” or other situations of unjust treatment and intentional abuses were extremely difficult to navigate. Ultimately, their desires to attain self-sufficiency and independence were overtaken by the Mexican government’s interest in forging a highly integrated and economically productive society.

In cases where indigenous peoples were able to achieve land, they often came to realize the government would not assist them with any additional needs that they had. Cultural Anthropologist, Lynn Stephen, describes the situation of Dona Chole, a pioneering ejidatario in Chiapas, who indicated the people of the region dubbed themselves “los olvidados, the forgotten ones” (Stephen 2002, 111) because of the lack of government presence and support for the people trying to forge a life in the rural wilderness of Mexico. While the government granted land petitions and encouraged people to colonize eastern Chiapas, “this was the sum of state assistance for more than four decades” (Ibid.). Forced to start with nothing, the indigenous had to master the art of cooperation and be extremely resourceful in order to get production going on the ejido land. Eventually, some of the most determined and the most fortunate ones were able to begin producing enough goods to be sold on local and regional markets. However, as Stephen points out, “Their production was plagued with problems such as the lack of roads, of transportation to get their goods to market, and of credit” (Stephen 2002, 111).
The many problems associated with the distribution and management of *ejido* lands is why Cameron and Tomlin believe the sentiment of *ejidatarios*, when they first heard about the NAFTA agreement, was ambivalence. President Salinas seemed to be proposing something that went against the grain of Mexico’s history and revolutionary traditions, but some farmers thought perhaps that was what the country needed. They describe one peasant family as thinking, “Maybe it will serve to get the moneylenders off of our backs” (Ibid.). But when the peso collapsed after Salinas left office at the end of his *sexenio*, or six-year term, many *ejido* families were caught up in skyrocketing interest rates. They were forced to sell their lands, and moved to the cities, hoping to find work in the small factories and workshops ringing in Guanajuato. Dramatic changes to the agricultural sector they had known were in full swing by that time.

The reality was that the reforms that led to these sweeping changes in agriculture, ultimately ending the country’s reliance on the sector for growth of the economy, were largely in place before the NAFTA was even on the table. President Salinas presented to Mexico’s Chamber of Deputies an initiative for the Mexican Constitution’s Article 27, which covers agricultural land tenure. “Noting Mexico’s ‘insufficient output, low productivity and unacceptable living standards’ in the agricultural sector, President Salinas proposed to open land ownership to greater market discipline by better defining property rights” (Schmidt and Gruben 1992, 2). The new rules would allow members of an *ejido* collective to rent or sell lands to non-*ejido* members, effectively a push toward re-privatization of the land. Moreover, the Constitutional right to new *ejido* land was eliminated, reducing the threat that newly privatized lands would be appropriated by the government once again as *ejido* plots. The changes also allowed corporations and foreign entities to own Mexican agricultural lands.
Cameron and Tomlin are correct that there were many *ejidatarios* at the time of the NAFTA negotiations that held a realistic view of the *ejidos* and thus did not believe the agreement itself was going to make things dramatically worse for them in terms of land ownership rights. That said, many others who could remember the complicated history of land reform of Mexico could not help but think that the NAFTA was going to involve the “selling out” of the Mexican agricultural sector to the United States. Canadian Not-for-Profit publication, *Peace Magazine*, published an article in March of 1994 saying, “The recent strategy of economic development resembles that of the developmental dictatorship of Porfirio Diaz. Laws were changed and force was used by large foreign and Mexican agribusinesses to displace native and nonnative farmers from their communal lands” (Roman 1994, 12). The article goes on to describe the changes to Article 27, which, combined with “the NAFTA-linked collapse of corn prices and the legal right and immediate economic necessity of selling off parcels of the *ejidos* means that much of the *ejido* land will be sold and the communes will disappear. Millions of rural people will be driven off of their land to housing and jobs that don’t exist” (Ibid.). The description of events demonstrates that while the powerful, ruling class of Mexicans had concerns about the economic efficiencies of the *ejido* lands and the people who worked on the lands knew how hard it was to subsist on the plots and maintain them over time, many also believed that the impending competition brought on through closer commercial ties to the United States through the NAFTA would exacerbate a difficult situation. Many Mexicans were aware that their government had a political and commercial strategy that included the reallocation of resources away from agriculture and increasingly toward the production of manufactured goods and services. Thus, the fear was that the NAFTA would accelerate and complicate this process,
causing more Mexican peasants to fall through the cracks and die in the exodus from the farms to
the cities of Mexico and the United States.

Indeed, the NAFTA was expected to have a significant impact on the agricultural
adjustment process. The neoliberal champions of the agreement believed and insisted the impact
would be to speed the development of industry and access to a broader marketplace with new
jobs for Mexicans to pursue among the elite companies that supported the agreement. The fact
that the NAFTA would increase competition between ejido farmers and the highly mechanized
US agriculture industry, forcing the ejido farmers to either consolidate, sell holdings or change
crops was really just a function of gaining economic efficiencies for neoliberal economic
thinkers of the day. The fears of loss and devastation that accompanied those new “efficiencies”
for the Mexican peasant farmers were both real and difficult, but they ultimately did not sway the
Mexican leadership of the time to alter their positions and make any significant accommodations
to protect them. The Mexican negotiators of the NAFTA ended up ceding a lot of ground on
agricultural market access in the agreement, and economists Gary Hufbauer and Jeffrey Schott
note that the United States is considered the clear “winner” in the agreement on the NAFTA
agriculture chapter overall (Hufbauer and Schott 2005, 284). None of this would be surprising
to Cameron and Tomlin, who indicate that if you were to ask the average peasant what they think
of the NAFTA today, they would telling you something like, “NAFTA was something for the
bigwigs. All that people like us can do is to sit back and watch the movie” (Cameron and Tomlin
2000, 3).
CHAPTER II
REALITIES OF THE NAFTA: ACHIEVEMENTS AND NEGLECTS

Now that more than twenty years has passed since the signing of the NAFTA agreement, enough data about the economic condition of the signing countries exists to assess whether the various nightmare scenarios about massive job losses on either side of the border or dream scenarios about strengthened political regimes and widespread job creation have indeed occurred. Given the multitude of economic factors and political conditions that are always present in international relations, takeaways implying causation based on correlation, for example that economic growth was up during the NAFTA years because of the NAFTA must be approached with great caution. That said, many analysts have broken down trends in the data over the years to provide evolving insights around the results of the NAFTA agreement with respect to the goals and fears that were raised in the negotiation.

The Economist magazine did an assessment of the agreement’s achievements at ten years and again at twenty years, in order to gauge evolving progress. In their assessment at the ten year mark in December of 2003, the author acknowledged that the agreement was highly controversial from the start, billed either as a bold attempt to speed economic integration in the region or a reckless experiment that would destroy jobs and create a race to the bottom. The magazine felt the data on the results of the agreement was not entirely convincing one way or another, but indicated that “…most trade economists read the evidence as saying that NAFTA has worked: intra-area trade and foreign investment have expanded greatly” (The Economist, 1). There was no mention in that 10-year analysis of what actually happened to jobs or income. Another magazine, The Nation, covered those items at the 10-year anniversary and concluded
that Mexico’s overall growth rate following the agreement was about half of what it needed to be in order to generate enough jobs for its growing labor force. In terms of income, the article notes, “Average real wages in Mexican manufacturing are actually lower than they were ten years ago” (Faux 2004, 1). Meanwhile, about two and a half million farmers and their families had been driven off their lands and out of their local markets by American agribusinesses.

The trade data at the 10-year mark indicated that whereas in 1990 the United States exports to and imports from Canada and Mexico accounted for about a quarter of trade, by 2003 it accounted for about a third. Jorge Castaneda, a distinguished professor of Politics and Latin American Studies at NYU and foreign minister of Mexico from 2000 to 2003, estimated that the three countries traded about $306B worth of goods and services in 1993, and by 2002 the amount had grown to $621B (Castaneda 2004, 52). Castaneda provided additional statistics, specific to Mexico, indicating that before the NAFTA was implemented, Mexico was running a trade deficit with the United States of about $2.4 billion. However, just eight years after the agreement was signed, in 2002, Mexico registered a trade surplus of $36.5B. In terms of foreign direct investment increases, another key goal of the NAFTA agreement, Castaneda noted that “…investment flows in 1993 were around $5B; they jumped to $14B in 1994…” and mostly stayed at that level until 2002 (Ibid., 53). The Economist magazine reasoned that since expanded trade, as a rule, raises incomes and future rates of growth, it was clear that “…NAFTA achieved as much as one could sensibly have expected it to achieve” (Ibid.). Even so, there was an astonishing lack of consensus, even among trade specialists, about how much to attribute economic gains to the NAFTA agreement, and how much to the natural development of capitalist ties that were already strengthening at the time the NAFTA was negotiated.
Additional evidence of the lack of consensus around the NAFTA’s impact on the regional market emerged at a Council on Foreign Relations event on the 10th anniversary of the NAFTA signing, held to review results of the agreement in the first decade. CFR had all of the original trade ministers present to offer their perspectives on the outcome of their handiwork against their own expectations. Roy MacLaren, former Canadian Trade Minister, indicated that he found the positive stream of statistics being discussed in the press at the time to be largely unconvincing. He said:

Those proponents of NAFTA argue that the statistics demonstrate conclusively that NAFTA has brought great benefit to all three partners. It may have, but I’m not convinced that many of those benefits would not have flowed from the fact that the United States, in particular, through most of the 1990s enjoyed unparalleled growth and a dynamic economy that would have necessarily generated much of the trade increase, and indeed investment increase, from which Canada and Mexico have benefited during the past ten years. (Bhagwati and Haass 2004, 9)

Minister MacLaren’s US counterpart, Carla Hills, chose to focus on the NAFTA’s successes in achieving what the US wanted- pushing the Uruguay Round further. She said:

The NAFTA’s position with respect to positions in trade, with respect to the reverberations outside the region had a very positive effect within the region, and let me explain why. It demonstrated to the rest of the world that countries of very different backgrounds, of different languages, differing development levels could sit down and negotiate the means to enlarge opportunities that benefit all three participants, rich and poor. And as a result, it encouraged the nations of the Asia-Pacific region to agree in 1994, shortly after the NAFTA was passed by our Congress, to open up their economies. It persuaded the 34 democratically-elected leaders in this hemisphere to agree to negotiate a free-trade agreement for the Americas by the year 2005. (Ibid.)

Hills also noted that the NAFTA breathed new life into the ongoing Uruguay Round of trade negotiations, and that ultimately all three participants have benefited from the increased opening of global markets.
Recognizing the formidable challenge involved with assessing statistics and attempting to link them to the NAFTA, MacLaren reasoned that it was quite possible that the growth rates to which the NAFTA had been identified would have occurred in any event, with or without the agreement. Castaneda seemed to arrive at a similar conclusion in his 10-year review of the agreement, saying, “It is difficult to determine if NAFTA was responsible for generating the export boom that Mexico experienced after 1995. Besides the agreement, two other theses explain the source of the boom: the drastic cheapening of the peso in international markets in late 1994 and the economic boom that America experienced during…the ‘roaring nineties’” (Castaneda 2004, 52).

Beyond the challenges of correlating actual results to the tenets of the agreement, at the 10-year mark there were also significant disagreements among experts regarding the track-record in the region. A report from the Carnegie Endowment for International Peace argued that the 10-year results were different than what was expected. On jobs, one of the areas that held promise but also created substantial fears for the NAFTA signatories, the report argued that in Mexico’s case, “…jobs created in export manufacturing have barely kept pace with jobs lost in agriculture due to imports. There has also been a decline in domestic manufacturing employment, related in part to import competition and perhaps to the substitution of domestic suppliers by foreign ones in assembly operations. About 30 percent of the jobs that were created in maquiladoras in the 1990s have since disappeared” (Papademetriou et. al 2003 ,12). The report pointed out that while the manufacturing sector registered higher levels of job creation (an increase of 500,000 from 1994-2002), it did not contribute to the development of Mexican industry or the domestic market as a whole. The agricultural sector suffered the most, with a net loss of 1.3 million jobs since
1994. In general, Mexico’s growth during this period was mixed and discontinuous. For instance, in 1994, the economy grew by 4.5 percent, but only a year later it suffered a peso crisis and GDP fell by 6.2 percent. In the first ten years of the NAFTA, the economy averaged just 2.3 percent in absolute terms and 0.6 percent per capita, which were well below the levels needed to achieve the real jobs goals that the NAFTA set (Ibid., 11-17). Finally, the report argued that the NAFTA failed to achieve a reasonable distribution of the benefits of economic integration among different geographical regions and social groups. It pointed out that the top 10 percent of Mexican households increased their share of national income in the years after the NAFTA agreement was signed, while the other 90 percent saw theirs diminish.

With regard to real wages, the Carnegie report stated that real wages for most Mexicans – with the exception of a few groups that were favored in the agreement, have not recorded a significant increase. On the contrary, real salaries were lower than when the NAFTA took effect. Part of the explanation was the peso crisis, which they did not link to the NAFTA, but the report indicated that productivity growth had been spotty and localized at best (Ibid., 24). This is a position that was also supported by a 2003 evaluation of Mexico’s manufacturing productivity completed by experts at Economia, Mexico’s Commerce Department, which stated that overall productivity did not increase since 1990. It argues that even though the NAFTA created unprecedented gains in trade, increased foreign investment and increased productivity in certain sectors, it did not help Mexico keep pace with new arrivals to the job market of about one million per year (Lopez-Cordova, et. al. 2003, 55-60).

The results found by the Carnegie report and the one by Economia differ considerably from the findings presented by the World Bank in its 2003 draft report. According to the World
Bank, the NAFTA generated important economic and social benefits for Mexican society overall, and the country would have been in much worse economic condition if it had not signed the agreement. The World Bank found that income inequality in Mexico and the United States decreased as a result of the NAFTA. Overall, the World Bank’s assessment of the NAFTA at the ten-year mark was positive. It found that “…the treaty has helped Mexico get closer to the levels of development of its NAFTA partners. It has had salutary impacts on trade, foreign direct investment (FDI), technological transfer, and growth. It can probably take some credit for moderate declines in poverty, and has likely had positive impacts on the number and quality of jobs” (Lederman, Maloney and Serven 2003, 2). The discrepancies between the World Bank report and the Carnegie report are likely the result of looking at different sets of numbers, more macro or aggregated data in the World Bank case and micro, or sector-specific in the Carnegie one and the one Economia did for manufacturing. The World Bank report also seems to rely heavily on counterfactual arguments about what would have happened if the NAFTA had not been signed. In the end, the only consensus that could be found in the 10-year analyses was, as Castaneda put it, “NAFTA has not been the win-win situation some of its supporters said it would be. Nor has it been the catastrophe its critics predicted. NAFTA has, however, definitely linked the Mexico’s economy ever more closely to the United States” (Castaneda 2004, 54).

Castaneda’s assessment seems to have held up even as an additional decade has passed since the NAFTA was signed. Much like the 10-year assessments that were done, the 20-year anniversary in 2014 generated renewed discussions about the NAFTA’s promises and results. This time though, while there were still conflicting assessments about how positive or negative the track-record has been, most experts have by this time concluded that the agreement did not
and simply could not have lived up to its original aims and promises. The conversation has thus shifted towards possible modifications that could be made to the original agreement to improve its chances of bringing the economies more in line with each other. As *The Economist* pointed out in its 20-year assessment of the Agreement, it was largely President Barack Obama who put the idea of re-negotiating the NAFTA on the radar for people during his 2007 campaign. Indeed, he and Vice President Joe Biden were vocal about how the NAFTA was a “mistake,” noting that the US trades more with Mexico than with the BRIC countries – Brazil, Russia, India and China – combined. Obama and Biden gave speeches during the campaign that were then analyzed by the media. According to *The Economist*, politicians were saying, “The trade agreement was beginning to look out of date. There needed to be freer movement of goods, people, and information across the borders, despite security worries. Most shared infrastructure investment was necessary” (*The Economist* 2014, 1). President Obama pledged to re-open the NAFTA in order to strengthen certain provisions like labor and environmental concerns, and also to take a look at ways to actually realize some of the original goals to align the economies more in the region, perhaps by opening up to more than manufacturing and goods trade, but also increased exchange of innovation and design ideas and information as well. While Obama’s commentary on the shortcomings of the NAFTA and his desires to re-negotiate it caused a lot of discussion about the issue, by the 20-year anniversary it was clear that the US Trade Representative’s (USTR) office was not prioritizing Mexico or re-framing the agreement, and it was not going to seek to re-open the discussions. Instead, the USTR has signaled in recent years that it is largely satisfied with what was achieved in the agreement. The agency subsequently indicated that the NAFTA provisions could be strengthened over time without formally opening up the agreement.
in a negotiation context. Thus, one can conclude that the largest and most influential party to the agreement does not perceive it to be either desirable or perhaps feasible to re-negotiate at this time and prefers to focus on new agreements like the TPP. It remains to be seen how the next Administration will evaluate this issue when it takes over power in November of 2016.

It is true that the public discussion about re-opening the NAFTA raised important questions about whether the United States had extended its ties enough to the Mexico economy. Concerns were raised about Mexican migration and questions about whether the situation actually got worse after the NAFTA surfaced. Others expressed disappointment that more jobs had not been created and that the US-Mexico relationship did not become more of a focus and priority in the wake of the agreement. There was a new consensus emerging at the 20-year mark that indicated the NAFTA had not lived up to the challenge of improving the economic situation in all three nations, creating significant jobs and lifting all boats, even if it had benefitted large multinational corporations through increased trade and investment. If that was a fairly easy conclusion for a number of constituents to make essentially at every milestone of the agreement, why did the NAFTA generate so many hopes and fears in the first place? What was it about the agreement that seemed so unique, special, promising to some people and at the same time so terrifying to others in the United States and in Mexico? The questions beg for a deeper examination of the actual contents of the NAFTA agreement, to determine whether the controversies over it had genuine merit or were more about political rhetoric and polarization tactics, and also to determine whether the agreement would indeed benefit from further engagement in the region and efforts to shore it up and make it more meaningful and transformative for the signatory countries.
The NAFTA’s Key Chapters and Principles

In order to better appreciate the perspectives on the NAFTA results that have been raised and debated since the agreement was finalized, a thorough understanding of the existing text and the priorities of the negotiation on the US and Mexico side are required. Like all trade agreements, the NAFTA is the outgrowth of rather complex negotiations both within and between the participating nations. Hufbauer and Schott indicate, “The negotiation of NAFTA text took 14 months of haggling, with side agreements added later; the result is a far cry from an ivory tower FTA” (Hufbauer and Schott 2005, 5). Their book, NAFTA Revisited, is meticulous in breaking down the various elements of the NAFTA, including the more than 100 pages on rules of origin, especially for the apparel and automotive industries, which they believe is both trade-distorting and protectionist on the part of the United States. They also note that Mexico retained its monopoly for the state oil company, Pemex, much to the chagrin of the United States (Ibid., 7). Summarizing the analysis of the NAFTA negotiations captured in NAFTA Revisited; the Carol Wise edited volume, The Post-NAFTA Political Economy; and Coming Together?, which was edited by Barry Bosworth, Susan Collins and Nora Lustig, it becomes clear that the United States had more “wins” in the negotiation overall than Mexico did, though the two governments seem to have concentrated their efforts in different areas. The breakdown of wins and draws in the agreement is captured both visually and succinctly in a chart in Chapter 2 of the Wise edited volume, authored by Sylvia Maxfield and Adam Shapiro (Wise 1998, 84).  

\[1\] Table entitled From The NAFTA Negotiations to the Peso Crisis illustrating NAFTA negotiation outcomes included in the Appendix.
The United States was concerned with achieving broad agreement on trade rules and principles; therefore, they were successful in achieving concessions on issues like rules of origin, protections for import-sensitive products, thresholds for government procurement contracts, and certain intellectual property licensing and enforcement provisions. Mexico was more focused on achieving actual market share in the United States, and thus was successful in garnering tariff phase-outs for auto parts, as well as the orange juice market in the United States, and preferential energy prices for Mexican companies, among other things. The over-arching goals of the negotiation were, as stated, “to promote economic growth among participants by spurring competition in domestic markets and promoting investment from both domestic and foreign sources” (Hufbauer and Schott 2005, 63), which is ultimately why each economy was able to walk away from the table with significant market access improvements in different areas. There is no mention of jobs or job creation in the Hufbauer and Schott analysis, which indicates that an increase in employment was not the actual goal of signatory countries. Clearly, this reality comes as a surprise to those who gauged the agreement and its merits based primarily on the political rhetoric surrounding it during the negotiations. All of the politicians were talking about jobs creation, so most people would expect labor and employment issues to get specific treatment in the negotiated Treaty. However, while jobs creation was considered a desirable and perhaps even expected outcome of the agreement for many of its constituents, the actual explicit target was more about increasing top-line economic growth in the countries through increased goods and services trade.
Analysis of Key NAFTA Chapters

In order to better understand how the NAFTA negotiations unfolded, it is essential to drill down into the chapters that were most essential to the negotiation and explain the US and Mexican positions, in particular, as well as the overall outcomes. The first five chapters of the NAFTA document represent the key elements and principles that form the core of any trade agreement – tariffs, related border measures, and the essential General Agreement on Tariffs and Trade (GATT) principles of national treatment and transparency (Appleton 1994, 10-25). Chapter Three provides for the elimination of tariffs on goods from the NAFTA parties, either immediately or over agreed five to fifteen year periods for various sections. The parties could agree to accelerate those tariff phase-out’s, but in any case all tariffs were to be eliminated by January 1, 2008.

As NAFTA analyst, Maryse Robert, points out in his book on key elements of the agreement text, textiles was given special treatment in the negotiation, along with autos. In the case of textiles, it is one of the oldest manufacturing industries in the world but also has great variation among the developed world economies like North America that create high-end textiles for applications like autos or carpets and the developing world economies that have more low-end applications like clothing. The textile industry in the United States pushed hard for safeguards and adjustment periods for their import-sensitive segments. In the end, Robert points out that the United States was overwhelmingly successful in this part of the trade agreement. He says, “[The US] negotiated more restrictive rules of origin than existed under the FTA. These rules determine which goods not wholly produced in North America are given preferential duty treatment” (Robert 2000, 99). The general rule of origin that the NAFTA follows is a “yarn
forward” principle that breaks textiles down into the three major stages of manufacturing and stipulates that, in general, only fiber inputs are allowed to be imported. Otherwise, all knitting, weaving and sewing of products needed to occur in the region in order to qualify for duty-free trading.

In the case of autos, when the NAFTA was negotiated the US auto industry was concerned that Japanese competitors may try to use Mexico as a platform to enter the US market with preferential treatment. For this reason, US negotiators also pushed for an exception in this category to strengthen rules of origin and raise the content levels by which a manufacturer would benefit from preferential treatment. According to Robert, the US was successful in getting agreement that for heavy trucks, buses, specialty vehicles, tractors and most vehicle parts, 62.5 percent of the content would have to be manufactured in the region to take advantage of duty-free access by 2002. That was an overall increase from the 50 percent level that was in place in the prior agreement with Canada (Robert 2000, 159). Mexico was able to secure a win for itself in that tariffs on all Mexican autos were eliminated immediately upon ratification of the NAFTA, giving the country increased access to the large US market. However, given that the sector was largely made up of US or German companies, it is less obvious who “won” with this concession. In addition, Mexico had to agree to phase out a number of protections it had in place for the auto industry, including requirements that parts be manufactured in-country, as well as restrictions on certain imports, among other provisions. Mexico was allowed 10 years to make this transition (Ibid.). While the United States fared rather well in the general Chapters, it is a bit more mixed in some of the major chapters that were most contentious in the negotiation.
Energy Chapter: Mexico Agrees to Disagree

The Energy Chapter of the NAFTA negotiations was probably the most contentious section for the parties involved. The Mexican constitution prohibits foreign ownership in the petroleum sector, and the Mexicans used this prohibition as a shield to limit their obligations under other provisions in the energy chapter. As Cameron and Tomlin point out in their book on the behind-the-scenes dealings of the NAFTA, Mexico at the time refused to accept provisions on proportional access that stipulated if any of the countries decided to reduce exports to another of the signatories for some reason, they would also have to reduce domestic consumption (Cameron and Tomlin 2000, 36). In addition, the provisions in the chapter do not apply to the exploration and production of oil and natural gas in Mexico, nor is foreign investment permitted in these areas. Investment in services related to Mexico’s petrochemical industry also remained restricted.

Finally, the chapter constrains the ability of the parties to use national security as a justification for quantitative restrictions on import or export of energy products, but Mexico is not bound by those provisions” (Appleton, 100-110). Cameron and Tomlin indicate that the Mexican negotiators were resistant to increasing pressures throughout the negotiations for national treatment of utilities interested in investing in Mexico. They say, “For more than six months, the Mexicans had refused to even accept that there would be an energy working group and a chapter on energy in the NAFTA” (Cameron and Tomlin 2000, 115). Though both the US side and Canadian side applied many diverse tactics, including attempts to convince the Mexicans the provisions were in their best interests or arguing that the NAFTA was a “seamless web” in which a country could not open in one area and remain closed in another, in the end
Mexico stayed consistent in its refusal to accept any of the agreements of the Energy Chapter. It ended up taking Mexican leaders an additional 20 years to open the energy sector to private investment and foreign participation. In 2014, President Enrique Pena Nieto ended the 76 years of state monopoly over the sector in order to stimulate competitiveness and stimulate economic growth for Mexico overall. In one year alone, the increase in dialogue and engagement in the Mexican energy industry between North American officials and companies, especially around investments and innovations in the sector, has been tremendous.

Agriculture Chapter: Delaying for the Multilateral Trade Negotiations

Agriculture trade has long presented the mightiest of challenges for any international trade negotiations. Until the Doha Development Round was launched at the World Trade Organization in 2001, agriculture was largely excluded from the GATT regime because countries were not able to agree on even minimal disciplines and obligations in the face of intense pressures from farm lobbies. Considering that the Doha Round has not concluded even today in 2015, largely because of breakdowns on agriculture issues, it resonates as a considerable achievement that the United States and Canada had succeeded in including a limited agreement on agriculture in its original FTA. However, as Cameron and Tomlin explain, by the time the NAFTA negotiations were underway, agriculture had heated up as an issue in the Uruguay Round of the WTO because of disagreements between the United States and Europe. “The fact of parallel negotiations at trilateral and multilateral levels, combined with the very different interests that defined pairwise bargaining in the NAFTA, led the three parties to conclude that no trilateral agreement was possible on agriculture” (Cameron and Tomlin 2000, 38). Instead, market access provisions of the NAFTA are covered in two bilateral agreements, one with the
United States and Mexico and one with Canada and Mexico. Canada-US agricultural trade was left as it stood under the existing FTA and the two countries decided to address remaining bilateral issues within the context of the multilateral Uruguay Round.

According to an analysis of the NAFTA’s Agriculture Chapter by the World Bank, the agreement caused some basic crops for Mexico to be liberalized. When the NAFTA was ratified in 1994, sorghum, sesame seeds, and sunflower from the US and Canada, for instance, could enter freely into Mexico. In 1998, soy was added to that list. “NAFTA became the first trade agreement using tariff rate quotas (TRQs) as a transition mechanism to eliminate quantitative restrictions and to move towards free trade. TRQs are applied to those products that the governments of the three North American countries considered very sensitive to the NAFTA negotiations” (Yunez-Naude and Paredes 2002, 8). Quota levels were established for products like maize, beans, and grain barley that are central to the diets and thus the agricultural economy of Mexico; however, between 1994 and 2000, Mexico did not charge for violating these TRQ levels, which the US was apt to do in these categories often because it lacked the enforcement regime to monitor infractions and levy fines. The United States, having a more sophisticated border enforcement regime, was much stricter about the agriculture protections that it sought in the agreement with Mexico. Trade liberalization was also not immediate for the products that the United States considered sensitive. The agreed liberalization process for these products was based on the productive cycles of the vegetables and fruits in both countries in order to optimize availability of the products for both sides. In the end, “…trade restrictions of some products exported by Mexico to the US were eliminated in 1994 (grapes, mangoes, and pineapples); and for most of vegetables and fruits tariffs are charged for some periods of the year until its
elimination in 2003 or in 2008…” (Ibid., 10). Even with these phase-in periods for adjustment, American negotiators, in particular, insisted on additional safeguards against the possibility of a surge of certain products. For a period of ten years, if imports of these products were to reach a specified level, the importing party could increase the tariff to its original rate, which was referred to as a “snapback” (Cameron and Tomlin 2000, 39). The protections that were built into the agreement on both sides were significant, but still both countries expected to face increased foreign competition. The prevailing idea that fueled the negotiators was that increased competition would ultimately drive greater efficiencies in both markets, and that the expected 

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land reforms would catalyze new investments there that would help reduce the costs of agricultural advancements, particularly in Mexico, for things like tractors, irrigation equipment, fertilizers and improved seeds (Yunez-Naude and Paredes 2002, 11-12).

Investment: Striving for Stability Against the Giant Sucking Sound

Most commenters agree that Chapter 11 on Investment is one of the most important sections of the NAFTA, primarily because increasing foreign investment was such a high strategic priority for the Salinas government, in particular, coming into the agreement. However, in constructing the controversial section, the negotiators played out what seemed to be a profound irony of the agreement. It was clearly established before negotiating even occurred that one of the primary Mexican goals in pursuing the NAFTA was to establish conditions that would make the country attractive as a destination for badly needed foreign investment. Thus, the assumption would be that the more concessions they made to American demands to eliminate restrictions on foreign investment and establish an open investment market, the better the agreement would be for them in terms of working to their principal goal. In the negotiation
process, however, international lawyer Jennifer Heindl indicates that the Mexican strategic posture was actually to resist US efforts to open their investment market. “While willing to concede to American wishes on most issues, the Mexican government was constrained by domestic politics to avoid appearing overly subservient to American demands” (Heindl 2006, 674).

American negotiators, on the other hand, were acutely aware that a primary vulnerability of the NAFTA in the United States stemmed from domestic fears about an outflow of investment to Mexico. Ross Perot’s threats of a “giant sucking sound” of investments and jobs being flushed out of the United States and into Mexico undoubtedly stuck in the minds of the American negotiators. Cameron and Maxwell point out that it was ironic then, that while the United States was pushing for liberalization of the rules on investment and the Mexicans were putting up resistance to that liberalization, those positions actually ran counter to domestic imperatives on the issue (Cameron and Maxwell 2000, 40). Thus, it shouldn’t be surprising that there were later obfuscations on the positions and outcomes on investments and jobs resulting from the NAFTA agreement.

What the negotiators achieved in the end though was a far-reaching agreement that went considerably beyond the original agreement that the US had established with Canada. First, there is a prohibition on investment-related performance requirements that was strengthened in the NAFTA and broadened to include subnational governments. For example, multinationals often need to comply with local content, export, or technology transfer requirements in order to qualify for investment. NAFTA ruled this out in favor of providing “national treatment,” to any of the signing country’s investors in its territory. Next, the United States was determined to secure
protection for American investors against discriminatory treatment during expropriation. Heindl points out that US agreements have typically contained a clause insisting that in the event of expropriation, compensation must be “prompt, adequate and effective” (Heindl 2006, 681). The Americans adopted this standard in response to Mexican appropriation of its petroleum interests in the 1930s (Folsom 1999, 26). Indeed the US State Department’s Office of the Historian explains the way Mexican President Cardenas signed an order in 1938 expropriating the assets of all foreign oil companies operating in the country at the time. It says, “The US government responded with a policy that backed efforts by American companies to obtain payment for their expropriated properties but supported Mexico’s right to expropriate foreign assets as long as prompt and effective compensation was received” (Report of the US Department of State 2009, 1). This specific language had to be avoided, however, given Mexican sensitivities to the matter, but Cameron and Tomlin indicate that the agreement ultimately uses equivalent language requiring the parties to pay compensation at fair market value, and without delay (Cameron and Tomlin 2000, 41).

Finally, the United States wanted to secure Mexico’s agreement to include investor-state arbitration in the investment chapter. The primary significance of this provision is the ability it affords foreign investors to take complaints about a breach of obligations by a NAFTA party to an international arbitration body. This was an important departure from traditional practice, whereby only government bodies are capable of bringing international legal proceedings. As legal scholar Matthew Simpson points out, “Investor-to-state dispute resolution mechanisms are relatively rare in multinational agreements, with NAFTA Chapter 11 as the pioneer in the field” (Simpson 2007, 484). The negotiators hoped this mechanism would encourage a stable and
predictable environment for investment. Again, the US was eager to get a provision like this to dissuade Mexico from expropriating American corporate assets in the fashion that they had done with the oil sector. While this was the argument, given the improbability of expropriation by Mexico at the time, given its economic and political position, it is quite likely the United States wanted the agreement to legally empower its multinational companies operating overseas as a precedent for trade agreements with other developing nations in the Uruguay Round. Simpson indicates the provision was paramount for an agreement of its time, particularly because, “the right to arbitrate a claim empowers investors, making them an active constraint on government actions” (Simpson 2007, 488). In practice, of course, gaining leverage in this way is rather difficult.

Overall, Cameron and Tomlin indicate that the United States was able in the NAFTA to achieve the kind of investment agreement it could not get in its original FTA with Canada, thanks in part to Mexico’s determination to do whatever it took to attract foreign investment. “Contrary to US desires, however, the chapter does give Canada and Mexico the right to review direct acquisitions by foreign investors that exceed a threshold amount” (Cameron and Tomlin 2000, 42). The US Trade Representative’s Office (USTR) explanation of the NAFTA’s key provisions indicates that Mexico can review acquisitions above an initial threshold of $25 million, phased up to $150 million over nine years, which demonstrates that Mexico’s leaders would still exert considerable influence over private foreign transactions for a significant time. Mexico also maintained its Constitutional restrictions on foreign investment in its energy and railroad industries, another major shortfall of the NAFTA talks in the eyes of the US negotiators.
Intellectual Property: Securing the American Empire

Intellectual property rights were one of the few items on the agenda of new trade issues that the United States was advancing quite aggressively in the Uruguay Round of negotiations at the multilateral level. Determined to secure improved protection for the rights of American holders of copyrights and patents, as well as other forms of intellectual property, the United States pressed for an agreement on trade-related aspects of intellectual property rights (TRIPs) in the multilateral round, and this plus the essential elements of all the other international treaties on intellectual property provided the basis of the NAFTA chapter on the topic (Nafziger 1997, 819). Once again, the NAFTA was a pioneer agreement in terms of incorporating international IP conventions into a regional and bilateral trade pact. International law professor, YiJun Tian, provides a summary of the chapter saying:

...[it] reaffirms general protection in existing IP conventions and the national treatment principle. It then sets up minimal standards for member states to provide effective legal protection in the areas of copyright, sound recordings, satellite signals, trademarks, patents, integrated circuits, trade secrets, geographical indications and industrial designs. Moreover, this chapter creates specific disciplines regarding IPR enforcement, domestically and at the border. (Tian 2009, 50)

Tian also indicates that the chapter prohibits patent infringement through the use of compulsory licensing; a practice followed by both Canada and Mexico to permit the manufacture of generic pharmaceuticals, and one that was fiercely opposed by the United States on behalf of the American pharmaceutical industry. Finally, one of the principal controversies of the IPR chapter in the NAFTA was actually the aspects of intellectual property that would not be covered by the agreement’s provisions, though in this case Canada was the one causing problems in the view of the Americans. Canada was successful in arguing for an exemption in the agreement for
its “cultural industries.” As international legal expert Therese Anne Larrea points out, Canada defined cultural industries broadly to include, “publication, distribution, or sale of books, magazines, newspapers, film or video recordings, video or audio recordings and printed music” (Larrea 1997, 1108). Having these items excluded from fair trade in the agreement was a bitter loss for the US side, which was trying to support its motion picture and recording industries in both protecting the US marketplace and making inroads in the others.

While the provisions of the IPR chapter appear to be rather straightforward in nature, Maxwell and Cameron point out that there were significant differences between the United States and Canada making these commitments, and Mexico attempting to do the same. They indicate that Canada and the United States were already signatories to all of the major international treaties on international property, such as the Berne Convention, which defines obligations for countries concerning the treatment of copyrights. Both of the advanced nations also had well-developed and relatively similar systems of policies and laws for the treatment of intellectual property. Thus, the provisions in the NAFTA were not really new for either of these countries. This was clearly not the case for Mexico. As the authors point out, “Mexico had only a rudimentary domestic legal system dealing with patent and copyright, and the country was not a signatory to the Berne Convention” (Cameron and Tomlin 2000, 46). Thus the comprehensive requirements for parties to protect intellectual property rights in the NAFTA was a very new commitment for Mexico, and one that stretched its legal and administrative capacity at the time to a considerable degree.

In the years since the NAFTA was completed, there has been considerable debate in international legal circles about whether the adopted IP regime was appropriate for Mexico,
given its level of development. Many scholars have made compelling arguments that the IP deal was not in keeping with Mexico’s scientific, industrial and technical capacities, which has caused more harm than good for the country. One such scholar, Kenneth Shadlen of The London School of Economics, points out that a simple illustration of the mismatch between Mexico’s patent system and the country’s scientific and technological capacities is that the absolute number of patent applications by residents of Mexico increased by only four percent in the period since the IP law was introduced until 2005. He indicates that Mexican residents had 564 patent applications in 1991 and 584 in 2005. By contrast, the number of non-residents’ applications tripled over the same period, from 4,707 in 1991 to 13,582 in 2005. Shadlen indicates, “These data suggest that the new IP system set incentives to which Mexican actors have minimal ability to exploit, while raising the cost of accessing and using cutting-edge knowledge” (Shadlen 1999, 54). This argument is also resonant with those who point out that Mexico’s trade enforcement regime was not strong enough in 1994 to enforce the provisions that its government was putting in place in the agreement to protect itself from foreign competition. This is the kind of place in history where the lines blur a bit in terms of what is considered “helpful” or “hurtful” to countries engaging in international trade agreements. On the one hand, “innovation” in trade agreements to incorporate new disciplines like IP enforcement or environmental protection, for instance, is often hailed as a positive step forward toward international understanding of these issues and for providing a basis for future cooperation. However, information asymmetry, once again, emerges as an issue of concern in the NAFTA, with the two developed countries having a much more sophisticated understanding of the advantages it was leveraging in the context of the agreement and how to capitalize on those, as
well as the ability to put in place appropriate protections. Realities like these reinforce the significance of the fact that Mexico was in the driver’s seat pushing forward the NAFTA agreement and working tirelessly to get it accepted and ratified, even though it was assuming a lot of associated risks by engaging its developed neighbors in this way. Clearly, the government leaders understood that the country would withstand some negative impacts from the agreement, but – on balance- felt the potential upside from a macro-growth context for the country was worth taking some hits in a micro-context in certain industries and sectors.

Since many of the negative outcomes for Mexico were foreseeable, in light of the discrepancy between the rates of development of the countries involved in the NAFTA agreement, it seems the US focus on “winning” in the negotiations for Chapters such as the IP one were primarily a means of securing US dominance in the region, well into the future. If not, perhaps more attention would have been paid to developing a genuine research and technology area, for instance, or something along the lines of a regional Research & Development (R&D) treaty. After all, if the goal was for Mexico to become more innovative and participate and benefit from the “knowledge economy” in the region, as it was argued during the NAFTA talks, then it clearly was not enough to have them adopt an IP system more appropriate for a developed country and wait for them to grow into it. Indeed if forging a real commercial partnership with Mexico was really the goal and not another article of political rhetoric spoken and then relegated to the history books, then more focus surely would have been given to ensuring that both countries could benefit from the burgeoning Intellectual Property protection regime being created in the region. It is rather obvious then, that the real goal of the IP Chapter was to give the US and Canada certain economic advantages in Mexico that went well beyond the scope of
eliminating trade protections over time. In this way, the NAFTA agreement provided some
significant commercial “wins” for the developed nations that were party to it.

What Was “Special” About the NAFTA Text?

Maxwell Cameron and Brian Tomlin feel that the NAFTA text, by and large, represents a
reaffirmation, albeit in expanded form, of the trade agreement that was already in place between
the United States and Canada. While the original agreement had represented a significant policy
shift for both countries, Canada in particular, four years earlier, by the time the NAFTA was
negotiated it had become almost routine trade policy among developed nations. Cameron and
Tomlin point out that “For Mexico, however, the agreement remained a bold, even blind leap of
faith” (Cameron and Tomlin 2000, 50). Never before had countries with such disparate levels of
economic development merged their economies with so few conditions attached to the merger. In
the end, this fact was what made the NAFTA so significant and why it was and remains an iconic
international trade agreement that continues to be thoroughly analyzed by scholars of all kinds
more than 20 years after its passage. Ultimately, Cameron and Tomlin believe the United States
was the big winner at the NAFTA negotiating table because, as they describe it, “Mexico’s
impatience for a deal and its inexperience resulted in a serious miscalculation regarding the
timing of concessions” (Ibid., 120). The Mexicans also made the mistake of placing too much
value on the fact of actually reaching an agreement rather than its specific terms. As can be seen
with in the IP Agreement, the devil is always in the details. That said, the neoliberal stance of the
Salinas administration suggests they had a different calculus on the agreement itself. Their
overall goals to attract investment and to gain market-share in the United States for their largest
companies caused them to back down on some chapters like the IP one that were not as
important to them at the time, and negotiate others more rigorously that were deemed critical in the more immediate sense.

The overall collection of market access “success” stories and “wins” for each side are the elements Hufbauer and Schott insist the NAFTA must be measured against over time. Assessing the first decade after the NAFTA’s ratification, they believe the agreement has succeeded in eradicating certain trade and investment barriers. However, as they hasten to point out, “trade pacts only create opportunities; they do not guarantee sales or new investment” (Hufbauer and Schott 2005, 62). In many ways, expectations and fears of the agreement when it was first announced seem to have been overblown. When one reviews the actual parameters of the NAFTA negotiations and what was actually on the bargaining table to achieve, it seems clear that the agreement never even had the potential for luring droves of US firms or for sucking millions of jobs into Mexico. Nor could the NAFTA have created the millions of jobs, or significantly raised wages in the way that was promised by politicians. For example, In order to achieve the job growth that politicians tried so hard to quantify during the ratification debates, Hufbauer and Schott point out, rather than a trade agreement, the United States and Mexico would have needed “good macroeconomic policies, a flexible labor force, better worker skills, and effective use of information technologies” (Ibid.). Attention to some of these elements, particularly with regard to the Mexican agricultural sector, may have helped alleviate some of the labor adjustment burdens from the NAFTA, which were obviously deprioritized by Mexican negotiators.

As previously noted, one of the key factors that contributed to the widespread debates about the NAFTA and the heightened sense of anticipation about its potential impacts was the

115
inaccessibility of the document itself during the 1993 negotiations. Indeed, even well-heeled corporate lawyers and their clients were not necessarily aware of the actual contents of the legislation until closer to the vote, unless those clients belonged to the US Advisory Committee on Trade Policy and Negotiations. Even political figures were asked to comment on the Agreement without having seen it in writing. The official text, which was 752 pages in length and costing $41 per copy was not made available to people outside of the negotiating circle until the Fall of 1993 (Nader and Wallach 1997, 100). In addition to the secrecy involved in large-scale trade negotiations like the NAFTA, the text itself has a sort of impenetrable quality to it for most individuals lacking an advanced degree in international trade law. As activists Ralph Nader and Lori Wallach point out in their chapter, which attacks trade agreements as means to subvert the democratic process in countries, the texts of trade agreements are unnecessarily complex. They assert, “Only those with an expansive knowledge of GATT-ese or NAFTA-ese can comprehend what the texts mean for their jobs, food or environment” (Ibid.).

Ann Kingsolver emphasizes this same concern about inaccessibility in her book, and demonstrates through her associated field studies the way that the varying degrees of access to the document impacted peoples’ perspectives of the potentially positive or negative ramifications of the agreement. Her bottom-line view is that the NAFTA, “…was inaccessible to the publics that the governments represented, both in its language and in the availability of the document itself” (Kingsolver 2001, 15). The inaccessibility parallels the agency Kingsolver says was granted to the document by many of the storytellers that she engaged with over the years that the agreement was negotiated. Kingsolver believes the agreement essentially became a “living document” for many people, which that they believed had certain powers to bring about either
salvation or doom to families and communities. In a sense, the document was so remote it assumed mythical proportions for many impacted individuals. Ultimately, it is probably unfair to single out the NAFTA for its inaccessibility. After all, most government documents are not written in straightforward prose or mailed out to people in advance of decisions. Acknowledging this, the fact that millions of dollars were spent by the governments, the most by the Mexican government, to promote policies that were singularly unavailable to the citizens being lobbied by their governments for support is simply unjustifiable. Today, documents are accessible on the Internet and there are libraries that allow for free access to the NAFTA text, but this was simply not the case before its passage by the three legislative bodies. Inaccessibility concerns persist in 2015, with major international trade agreements like the Trans-Pacific Partnership Agreement (TPP) out of reach for most global constituents while it is being negotiated.

The basic facts about the inaccessibility of the NAFTA document and the government “hype” to secure passage of the agreement both go a long way to explain why the NAFTA became synonymous with international relations in the region as a whole. Lacking any specific information on what would tangibly be at stake in the negotiations, all of the various constituencies weighed in with their more abstract hopes and fears. One of the other “special” aspects about the NAFTA was its sheer magnitude, and the amount of people that ultimately would be affected by the agreement’s contents. The US Trade Representative’s (USTR) office website containing talking points on the NAFTA indicates the agreement created the largest free trade area in the world. The combined economies of the three nations at that time measured $6 trillion and affected more than 365 million people. In terms of its actual policy accomplishments, however, the agreement is ultimately a lot less “special” or substantively significant than it was
touted to be by regional politicians. The list of achievements that can be attributed to the NAFTA include the elimination of tariff barriers to some agricultural, manufacturing and services sectors; the removal of investment restrictions; and the protection of intellectual property rights, particularly those of the developed parties to the agreement. The negotiations also opened some discussions on environmental and labor safeguards as side-bars to the agreement, but ultimately did not move the needle much on either topic. As Hufbauer and Schott explain, “NAFTA was never designed to address all the ills of society…” (Hufbauer and Schott 2005, 4), though it was often promoted on these very terms. To redress decades of environmental abuse or labor and migration problems – not to mention the scourge of drugs and related crime – would require major initiatives well beyond the scope of a trade pact.

In contrast to the scope of the European Union, the institutional mechanisms of the NAFTA were simply not designed to minimize interference with business as usual in the participating countries. Mexico expert, Carol Wise, has pointed out that the low level of commitment evidenced in the NAFTA text accurately reflected the political temperament of the time. Hufbauer and Schott concur with her assessment stating, “There was no interest in a North American echo of European supranationalism” (Hufbauer and Schott 2005, 62). A Customs Union agreement would have raised the premium on cooperation between the partners and forced them to actually work together much more closely on global financial and trade matters, and other shared concerns. Limiting the engagement to an FTA context also limited the responsibilities that each party had to cooperate on matters much beyond basic trade and investment opportunities and disputes. With that important reality acknowledged, it does seem to be the case that a number of critics of the NAFTA that have emerged since its passage assumed
the agreement actually would lead to closer cooperation on issues like the environment, immigration, and drugs, despite its explicit avoidance of these topics. While close cooperation on these issues was expected by many who paid attention to the NAFTA debates, unfortunately it has so-far not transpired in the post-NAFTA era. One possible exception to this would be the 1994-95 peso crisis, when the United States did act quickly to respond with a financial rescue package. The swift reaction and engagement by the United States, surely catalyzed by the NAFTA, demonstrates that leadership of the two countries was aware, at least on some level, of an increasing closeness between their economies through their private sector investment ties, which held possibilities for mutual impact. The intervention is also one of the reasons why Mexico recovered from the crisis much faster than it did during the debt crisis of 1982.

Given the vast discrepancies between the actual substance of the agreement and the academic and public dialogues in the region about what the agreement reaped and failed to achieve, it would be helpful to examine the key points left out of the agreement that most of the detractors still largely hold it responsible for failing to achieve. In the end, most of the disconnects are the result of vast differences between the way that the NAFTA was characterized and ultimately “sold” by politicians and corporations in both countries to their respective populaces, and the way the agreement is actually framed and developed to achieve certain objectives and avoid others. With that in mind, it is useful to explore the issues that were intentionally left off the table in the NAFTA negotiations.
The NAFTA: What is Not in The Agreement?

Labor Mobility Provisions

Border security concerns are one set of issues that were apparently too hot to put on the table during the NAFTA negotiations, but have since become central to the national security situations in both countries in the post 9/11 environment. These security concerns continue to be dealt with on an ad hoc basis, for the most part. In fairness, the NAFTA is not completely silent on labor issues. As Labor Professor and Historian Elaine Bernard of Harvard University points out, “…there are provisions for temporary entry visas for financiers, consultants, and business people” (Bernard 1994, 12). That being the case, there was no political will on the parts of the countries involved to consider immigration and the free movement of people beyond the professional sphere. Economists Hufbauer and Schott are pragmatic in pointing out that it should not surprise anyone that the NAFTA did not result in seamless cooperation on immigration or other socio-political issues, nor that it failed to produce dramatic changes in the job market one way or another in the United States and Mexico. In their view, the NAFTA was designed to address a limited set of economic issues that were primarily trade and investment related (Hufbauer and Schott 2005, 5). Hufbauer and Schott further explain that it would be impossible for the agreement to achieve more than it was structured to accomplish. Even though the public debates surrounding the NAFTA were heavily focused on issues like job creation, those types of issues were actually not parts of the document’s substance. Of course, while the two economists are technically correct in pointing this out, it is also true that negotiators made a conscious choice to leave labor mobility out of the agreement. To assert that people should not be surprised then, when the text of agreements do not, in fact, mean something else is to assume that these same
individuals had access to the documents in the first place, and understood what they meant. In that way, it is not a considerable stretch to acknowledge that trade agreements like the NAFTA do not line up well with mainstream understanding of what was transpiring through its drafting. However, as previously described, we know that the agreement was largely etched in the shadows with privileged access to it limited to politicians and large, connected businesspeople, so the only information most people had to rely upon was that offered on its contents by governments and other market constituents through a variety of media.

Unlike the international border between Canada and the United States, or between the countries of Western Europe where communication and border crossings are almost unrestricted, the international boundary between the United States and Mexico constitutes a line that can be crossed legally only by those who show immigration and customs authorities their passports, “micas,” or other permits. Of course, such restrictions do not apply to people crossing the border from the United States, but only to those from Mexico going north. This indicates one very great contrast in the relationship.

Whether or not the NAFTA critics understand the dynamics of the labor mobility issue, they do tend to pinpoint the trade agreement as a primary cause or catalyst of illegal Mexican migration to the United States. Critics who cite massive waves of illegal immigrants to the United States as a sign of the NAFTA’s failures are, whether they are aware or not, pointing out the economic dislocations that have resulted from the agreement, including the significant loss of agriculture work in Mexico, which increased the amount of migrants to the United States. Many people conclude that the NAFTA surely had some kind of an impact along these lines; however, most of these people are actually not aware of how the issues themselves were treated and
addressed within the scope of the agreement. Upon examination of the text, one learns that the NAFTA never contemplated cooperation between the signatories to address immigration issues that might result from its passage.

Indeed, as Elaine Bernard points out, it was always clear in the various economic presentations on the NAFTA that there would be winners and losers in the agreement. What was not clear was who would actually pay the costs and who would gain from the benefits (Bernard 1994, 7). In the European Community integration, she notes, there is some attention given to labor dislocation caused by losses incurred through direct competition of industries through something called “compensatory financing.” Bernard notes, “Rather than taking a ‘trickle down trade economics’ approach – as is found in the NAFTA– the European nations have agreed to compensate the poorer regions and countries in order to minimize the dislocation” (Ibid.). The lack of attention paid to labor implications of the agreement, particularly in terms of dealing with the expected level of migration of laborers from Mexico to the United States, can be considered a chosen failure in the NAFTA’s design. It is a failure that has proven to be quite costly as well, particularly when one considers the dollars that have been driven towards combating illegal immigration to the United States.

Migration experts Massey, Durand and Malone illuminate how costly the militarization of the border patrol has become to the United States in terms of paying for facilities, inspectors, weapons, transport and other equipment. However, they point out that these expenditures are not paying off in terms of keeping migrants out of the United States, since they tend to find new routes and methods for entering the country without detection. Massey, Durand and Malone assert, “By the end of the 1990s, US taxpayers were buying apprehension probabilities that were
no higher than they had been in the early 1980s, but were paying five times as much” (Massey, Durand and Malone 2003, 118). They also estimate the Immigration and Nationalization Service (INS) spent $16.5 billion dollars in the years 1997 and 1998, to no effect other than perhaps political gain for some (Ibid.).

The unilateral border enforcement mechanisms of the United States have also been costly to American businesses and farmers, who depend on immigrant labor from Mexico to keep their operations running. Christian Ethics Professor, Miguel de la Torre, indicates in his book, Trails of Hope and Terror, the militarized United States’ border has had a direct and profound impact on the flow of workers across the border that respond to the needs of US-based employers. As a result, he indicates, “The scarcity of field hands is creating chaos in the agricultural industry. In 2006, twenty percent of ripe agricultural products were not picked. In 2007 it is estimated that this figure reached thirty percent” (De La Torre 2009, 44). The same argument was made by US President George W. Bush in 2004 when he proposed sweeping changes to the nation’s guest-worker program to better match US employers with willing immigrant workers, among other changes. The business groups who backed Bush’s plan at the time welcomed it as a way to alleviate labor shortages they were experiencing in industries like agriculture, hotel, and construction, to name a few (Allen 2004, 1).

While Miguel de la Torre believes it is clear that the immigration policies are clearly not working, he questions whether Americans are cognizant of the way US agricultural policies create new economic hardships for Mexicans and end up pushing them out of their homelands in many cases. About this ignorance, he says, “Rather than deal with the complexities that cause migration, we have instead blamed the victims for being pulled into this country” (De La Torre
Massey, Durand and Malone concur that US immigration policies have wide-ranging negative impacts on US employers, including but not limited to labor shortages, fines of up to $10,000 and even criminal prosecution for repeated offenses if undocumented workers are discovered through raids or by other means, and administrative costs associated with processing and maintaining I-9 forms for employees, which they indicate constitute a veritable black market of bogus documents (Massey, Durand and Malone 2003, 118-119). Of course, most businesses simply pass along these costs to workers and consumers in the form of lower wages and higher prices.

The human costs of US immigration policies are clearly the most disturbing. In response to the massive up-tick in Border Patrol personnel enforcing traditional points of entry to the United States, which were typically in more urban areas, migrants are traversing much more difficult terrain to enter in less populated, rural ones. This situation has had a variety of impacts, including making the population of immigrants a more permanent one in the United States, and spreading them out across the country, rather than the few states along the border they had gravitated to in the past. Now, given the dangers and the strain of crossing the border, most prefer to stay in the country once they arrive, rather than returning home to their families once they have money saved, and many travel further north in the hopes of avoiding detection (Massey, Durand, and Malone 2003, 140-141).

Increased border enforcement has also impacted the rate of immigrant deaths. Miguel De La Torre asserts, “while politicians stroke the xenophobia of the constituents to score points, tragically, official statistics (which are probably underestimated) indicate that ten times more people died in nine years trying to cross the US-Mexican wall than died trying to cross the Berlin
Wall during its twenty-eight year existence” (De La Torre 2009, 6). Massey, Durand, and Malone indicate that after Operation Blockade and Operation Gatekeeper were forged in 1993 and 1994 respectively, “the rate of death from suffocation, drowning, heat, cold and unknown causes increased threefold to plateau around 6 per 100,000 in 1997 and 1998” (Massey, Durand, and Malone 2003,113). This increase immediately following the militarization of the border provides a fairly precise means of assessing the costs of border enforcement in terms of human lives. The three authors estimate it nets out to roughly 160 extra deaths per year (Ibid., 114).

Miguel de la Torre conservatively estimates that thirty-six hundred bodies were recovered on the US side of the border between 1995 and 2005 (De La Torre 2009, 15). Women are nearly three times more likely to die of exposure than men, and those women who do not succumb to the cruelty of the desert face the cruelty of sexual assault. De la Torre says, “It is now common practice for women preparing to make the crossing to use a method of birth control prior to the journey as they are more than likely to be sexually assaulted” (Ibid.).

Perhaps one of the costs associated with the loss of human life and the toll that migrating has taken on the Mexican populace is the loss of moral fiber and empathy on the part of Americans who elect to build fences and push back Mexicans by force, rather than attempt to truly understand and address their reasons for coming in the first place. Miguel de la Torre references some of the 345 testimonies that were collected by medical professionals and trained volunteers working in migrant aid centers during 2006 and 2007. The lack of any uniform regulation by the US government for short-term immigrant custody seems to have created an atmosphere in which migrants are routinely denied food and water, are separated from their families during the repatriation process, commonly sustain physical, sexual and verbal abuse,
and face confiscation of their possessions, which are not returned. In short, de la Torre explains that migrants are exposed to widespread and systematic practices that deny their human dignity and abuse their rights. He suggests that Americans have essentially dehumanized immigrants, so they can more comfortably and conveniently ignore, forget or dismiss their motivations for undergoing such harsh journeys to the United States in the first place. It is for this reason he collects the testimonies of actual migrants in his book, including a man named “Ignacio,” who, when asked why he would risk everything to smuggle himself into the United States, responded, “We risk death not because we want to, or because we are foolhardy. We risk death for the families left behind. Would you not cross a hundred deserts to feed your child? It may be crazy to cross, but we are not crazy, we are desperate” (De La Torre 2009, 18). In this way, given the harsh economic conditions leveled against the “losers” of international trade agreements, many view the impacted Mexican migrants more as refugees than immigrants, who are deserving of some type of amnesty from the United States. After all, when peoples’ abilities to farm to sustain their families and their own lives are eliminated, that is a form of economic warfare being waged on a certain portion of the populace, without any means of adjustment or other supports being offered in its place.

Migration is one of the difficult realities associated with the novel approach to forge a trade agreement between countries of such disparate economic circumstances. The fact that Mexico and the United States are neighbors and share an extensive common border means that migration as a result of direct competition in certain industries impacted by the trade agreement was surely anticipated. Some of the ironies associated with this issue would be the fact that anticipated migration from Mexico was one of the key reasons US laborers opposed the
agreement. They believed Mexicans looking for increased wages and opportunities would move north while corporations from the US flocked down south seeking lower-wage workers.

American and Mexican politicians alike downplayed these concerns, indicating that one of the goals of the agreement was to create improved economic circumstances for Mexicans workers that would allow the country to export more goods and less people. In reality though, trade agreements always produce winners and losers in different industries. In the aggregate and largely theoretical sense, these affects are minimized and appear to be more balanced, which is why World Bank analyses tend to be more favorable than those that look at micro-economic impacts across countries. In the micro-sense, which reflects more of the tangible reality of human existence, increased competition as a result of trade literally translates into real losses of jobs for some people and creates serious and life-threatening concerns regarding the means to replace that income for purposes of survival.

Robert Scott and David Ratner of the Economic Policy Institute point out that in the case of the NAFTA, along with the reduction of tariffs the agreement also allowed the United States to grant large subsidies to American farmers. In doing so, American farmers were able to export agricultural products at a much lower price, undermining Mexican farmers who had previously been reliant on exports to the United States. It should come as no surprise then, that the result of these actions is that Mexicans farmers were, in many cases, pushed off of their lands, and forced to flee to the United States illegally. They note, “Promises about jobs and exports misrepresent the real effects of trade on the US economy; trade both supports and displaces jobs” (Scott and Ratner 2005, 2).
If one accepts the basic logic and rationale for how international trade impacts competition at an industry-level, which in turn has a direct effect on jobs and labor, it becomes clear that trade and immigration policies are linked. They are part of one single system, not separate and independent policies. While it may be obvious to some people that capitalism and competition fostered by free trade translates into winners and losers in the marketplace, it is morally troubling when policies are not flexible to provide for greater labor mobility in those instances when outcomes are anticipated. Law professor Bill Ong Hing argues in his book, Ethical Borders: NAFTA, Globalization, and Mexican Migration, that the framers of the NAFTA certainly should have anticipated increased migration as a result of the direct competition between US and Mexican farmers. He says “as small, purportedly ‘inefficient’ Mexican farmers were put at risk, no foreign investment into the rural sector for industrial development or value-added activities arrived to assist” (Hing 2010, 14). Hing passionately argues that the United States is ethically bound to address the problems created by the NAFTA in a way that puts prosperity within the grasp of all North Americans. He recommends a number of potential policy fixes, including a path to citizenship for undocumented migrants, or a guest-worker program. Indeed, to understand the impact of trade on labor and to deny these impacts, while erecting fences and making it more difficult for people to adjust to them as a means of survival is an issue of vast ethical proportions. In addition, considering that one of the publicly-touted US goals of the NAFTA was to create a stronger economic competitor in the region that would help lift all boats, it seems many US policymakers completely missed it on migration, in ways that demand much more serious attention and consideration moving forward.
Drug Control

Another common criticism of the NAFTA is that it is directly responsible for the up-tick in drug trafficking activity and the continuing flow of drugs, especially cocaine, from Mexico to the United States. Political scientist, Peter Smith, notes that at one extreme of the debate, people argue that freer trade under the NAFTA has increased the flow of drugs from Mexico to the United States. For instance, he quotes former Assistant US Attorney Glenn MacTaggart as saying, “If NAFTA provides opportunity for legitimate businesses, it may clearly provide opportunities for illegitimate businessmen” (Bosworth, Collins and Lustig eds. 1997, 45). Smith himself observes that hiding drug shipments within the growing volume of goods has become an increasingly favored method of smuggling cocaine. “These trends thrive under the North American Free Trade Agreement. Trans-border trucking, with 2.8 million crossings in 1994 alone, provides an especially attractive opportunity for smugglers” (Ibid., 146). In 2010, America’s Economic Report Daily indicated that the NAFTA’s passage had led to 4.7 million commercial vehicles crossing the Mexican border, many of which they said were carrying illegal drugs. The publication quotes an NPR correspondent as saying, “With a billion of dollars’ worth of cargo crossing the US-Mexico border every day, free trade is one of the greatest gifts for drug traffickers” (Burnett 2010, 1).

While it is compelling material to include in media headlines, this type of argument ignores several important realities, including the fact that Mexico’s drug industry is not a new one that has risen up and then rapidly developed as a result of the 1994 trade pact. As Bosworth, Collins, and Lustig explain in the Introduction to their book, Mexico’s drug industry has been growing and evolving since the 1970s. While in the 1970s the industry tended to be locally
organized and mainly concentrated in marijuana, it has since developed to include substantial quantities of heroin and cocaine (Bosworth, Collins and Lustig Eds. 1997, 17). Massey, Durand, and Malone agree that the increasing economic integration and engagement in the 1980s and 1990s have made borders more porous, which has made it easier for people to enter the United States with drugs and other contraband. However, they make clear that Mexican drug dealers are simply responding to a market demand. They point out, “With the invention and popularization of crack cocaine, the demand for drugs soared in the United States in the early 1980s” (Massey, Durand and Malone 2003, 98).

Given that there is clear demand for the drugs emanating from Mexico, it is troubling to note that US politicians consistently seem to favor policies that address the drug problem rather exclusively on the supply side. Scholars Massey, Durand and Malone note that in the mid-1980s, Ronald Reagan added immigrants and drugs to the list of national security threats and signed a secret National Security Decision Directive that cited drugs as a key threat, authorizing military cooperation with civilian law enforcement agencies to launch a new “war on drugs” (Ibid., 99). Given the expanding trade and economic deregulation that was taking place during his administration, it was neither realistic nor feasible to clamp down on the cross-border traffic at ports of entry, but the initiative was a visible signal of the president’s resolve. Massey, Durand and Malone quote a Reagan-era drug enforcement official as saying, “We are engaged in something akin to a guerrilla war along the border against well-entrenched and well-organized trafficking groups” (Ibid.). Once again, the US border was characterized as being subject to invasion by dangerous foreigners, posing a threat to Americans. The framing of drugs as an issue
of border control was also one of the key developments leading to the increasingly militarized Border Patrol in the United States.

Peter Smith documents the consequences of the US propensity to focus inflexibly on the supply of drugs from abroad and to blame Mexico and other suppliers for drug-related problems. He describes the way Mexico has become more prominent in drug trafficking, as Colombian traffickers have sought out new routes for shipping cocaine to the United States. Smith explains, “As US law enforcement agencies cracked down on shipments through the Caribbean and South Florida in the early to mid-1980s, Colombian entrepreneurs…turned their attention towards Mexico” (Bosworth, Collins and Lustig Eds.1997, 129). Another unintended and yet foreseeable consequence of US drug enforcement tactics is the formation of brutal, world-class cartels. The rising consequences and likelihood of being caught by the US Drug Enforcement Administration (DEA) has raised the stakes in the drug trade, effectually driving up profits for those who traffic in drugs, especially cocaine. Smith quotes Thomas Constantine, former head of the DEA, as saying, “Annual profits for Mexican traficantes now approach $7 billion per year” (Ibid., 130). The Mexican attorney general’s office has placed the figure as high as $30 billion. The extreme profitability of the drug trade has severed long-standing relationships between farmers and distributors in Mexico, and has reshaped an industry that was once a large network of small operators into a small network of large drug cartels that have no allegiance to local areas and which compete against each other for the same goods and the same market” (Ibid.).

The rise of the cartels has created major security concerns for both the United States and Mexico. For the United States, the evolution has kept the drugs coming across the border in increasing amounts by even more sophisticated and sometimes violent means, despite the
massive amounts of money dedicated to the Border Patrol to stop them. Despite mounting expenses and evidence of failure, the US government has resisted changing tactics in its drug enforcement efforts. For Mexico, as Peter Smith observes, the challenges are very different. Although drug use is growing in some areas, especially along routes of transit, the country does not have a major problem of illicit drug consumption. The most pressing concerns for Mexico are fundamentally political. Peter Smith says Mexico’s priorities are, “to prevent drug traffickers from directly confronting state authority, to obstruct the formation of states within the state, and to diminish the threat of narcoterrorism. Another equally important goal has been to prevent US policy and judicial authorities from acting as a surrogate justice system in Mexico” (Bosworth, Collins and Lustig eds. 1997, 141). Mexico has thus sought to assert and maintain its sovereignty in the face of the US war on drugs. In other words, US drug enforcement policy itself is sometimes perceived by Mexican leaders as a significant threat to its own national interests. This is evidence of the fact that, despite facing enormous security and social concerns that are shared on either side of the border given a variety of historical and market factors, both countries seem to prefer to address the issues in isolation of each other.

It seems clear then, that to cite the NAFTA as the primary contributor to the drug problem faced by the United States and Mexico is, at best, a gross exaggeration. A reasonable conclusion would be that the NAFTA did lead to a large increase in cross-border transshipment of drugs, perhaps bringing down some of the violence associated with militarized blockades of drug shipments, but at the same time it did not have a large-scale impact on the problems. The NAFTA document itself makes no mention of drugs; thus, following the Hufbauer and Schott philosophy, one can reasonably discern that the agreement should not have been expected to
achieve more than it was designed to accomplish. That said, it does seem equally clear that the NAFTA was, at a minimum, a missed opportunity to address the economically costly and shared security issue of the drug trade. As Peter Smith asserts, “The United States should have been able to extract extensive concessions on anti-drug efforts from Mexico in exchange for membership in NAFTA” (Bosworth, Collins and Lustig Eds. 1997, 145). While that type of argument aligns with the US propensity to assert that more of the drug problem exists on the Mexican side of the border, a notion that is highly debatable in its own right, it also drives home the fact that including the drug issue in the scope of the agreement could have achieved mutual benefits, particularly for the United States. At a minimum, the two countries might have agreed to cooperate more in the drug effort on both sides, rather than approaching the issue in an independent fashion. Massey, Durand, and Malone indicate that the United States did not agree to forge such cooperation because it prefers to believe that “drugs were foisted upon Americans by sinister foreign cartels and malicious traffickers who were taking advantage of America’s openness to flood it with cheap drugs, bringing a wave of addiction, violence, and mayhem to US cities” (Massey, Durand, and Malone 2003, 101). Acknowledging some responsibilities for drug-usage problems and turning more of the efforts against drug abuse inwards, while appealing to the Mexican side to handle more of the supply-side issues, would clearly amount to some of the opportunities that were squandered in the NAFTA talks. The result is a continuance and exacerbation of the shared regional drug problems, and a lot of associated finger-pointing.

Of course, this is not to say the United States has not participated at all in the fight against dangerous Mexican cartels in the post-NAFTA years. In 2006, the US began sharing intelligence in the drug war with the Calderon administration. A 2010 Congressional Research
Service report on US-Mexico relations noted that $1.3 billion has been provided to Mexico by the United States since 2008 for anti-crime and drug initiatives (Seelke 2011, 2). While US cooperation with Mexico in the battle against drugs has been increasing in recent years, it remains largely a behind-the-scenes effort. The New York Times noted that Mexico was mostly absent in presidential debates on foreign policy, in 2008 and in 2012 after having been more of a topic of discussion in the two elections that preceded them (Grillo 2012, 1). However, in the lead-up to the 2016 presidential election, Mexico has resurfaced as a major topic of debate, led by some candidates in the Republican field. What has not changed about the dialogue is the inflammatory language used to describe immigrant and drug issues, including charges that the NAFTA has failed to solve related issues, and the finger-pointing at Mexico as the source of the problems. It will be interesting to discover how well this political rhetoric resonates at the polls, particularly given the up-tick in US citizens emanating from Mexico in recent decades that are now eligible to vote.

It will also be interesting to monitor whether US legalization of marijuana, which has been occurring increasingly at the state level since 2012, has any impact on the drug trade with Mexico. Most of the recent debates on this issue in the press point out that while the trend is likely to have a significant impact on the amount of marijuana imported from Mexico, it will not make a dent in the overall drug trade, which is much more concentrated in cocaine, heroin and methamphetamine. One analyst estimated that exporting drugs to the United States earned Mexican cartels between six and eight billion US dollars in 2008, of which just 15-26 percent came from marijuana (Kilmer, Caulkins, and Bond et. al 2010, 3). A study by the Mexican Competitiveness Institute published in 2012 called “If Our Neighbors Legalize” puts the impact
at a higher level, saying it would reduce the earnings of Mexican drug cartels by as much as 30 percent. The Mexican government indicates some concern about the legalization phenomenon in the report, indicating legalization may make it harder to prosecute growers and dealers in Mexico if they are producing a product for a destination where it is legal. Whether the concerns prove to have merit or not, most of the current drug analysts agree that the drug industry in Mexico had been evolving long before the NAFTA was on the table, and that it will continue to evolve in ways that have very little to do with the trade document. Thus, while the NAFTA represents another significant missed opportunity for the countries to forge ties in addressing this deeply felt and shared security issue, most experts agree that the NAFTA was not the root cause, nor the primary catalyst for the flow of drugs from Mexico to the United States.
CHAPTER III
MEXICO AND THE US POST-NAFTA

Mexican Peso Collapse of 1995

The aftermath of the signing of the NAFTA in 1994 included one of the worst financial crises in its history. A report on the crisis developed by the US Congressional Research Service describes the crisis as being “…caused by a number of complex financial, economic and political factors” (Villarreal and Fergusson 2013, 3). The most significant factors noted in the CRS Report include the build-up of foreign investment and investor confidence in the Mexican economy that accompanied the NAFTA, which quickly reversed course after the assassination of Mexican presidential candidate Luis Donaldo Colosio in March 1994. The report notes that the assassination surprised investors and incited fears of a currency devaluation, causing them to pull capital out of Mexico in droves (Ibid.). Indeed, as capital flight continued throughout the year, imports surged in the wake of the agreement and caused the current account deficit to widen, creating a liquidity crisis for the Mexican government. The report describes, “By December 1994, the continued decrease in the inflows of foreign direct investment and foreign exchange reserves put pressure on the government to abandon the fixed exchange rate policy they previously instituted and adopt a floating exchange rate regime instead. As a result, Mexico’s currency plunged by around 50% within six months, sending the country into a deep recession” (Ibid., 4).

About a month after the Mexican government took the step of devaluing the peso, which triggered the spectacular meltdown of Mexico’s economy, US Treasury Secretary Robert Rubin described the economic disaster to the Senate Foreign Relations Committee as a “low
probability” event that few analysts could have anticipated (Wheat 1995, 1). According to Rubin, it was as if the peso crisis had struck like a lightning bolt from a clear blue sky on a sunny day. Yet, despite Rubin’s incredulous testimony, an examination of the facts of the lead-up to the crisis shows that it was indeed quite foreseeable, and actually predicted by some US officials even before the NAFTA agreement had been approved. An examination of testimony at a House Small Business Committee hearing in 1993, Chaired by Representative John LaFalce of New York, was focused entirely on the possibilities for a devaluation of the Mexican peso and ramifications of this potential action for US exporters if the NAFTA was ratified.

The Chairman noted in the opening remarks that, “…since 1981, the peso has fallen from 25 pesos to the dollar to a current 3,200 to the dollar” (Report of the HoR Committee 1993, 8). He noted that was an astonishing amount and also pointed out that the peso had been devalued on a daily basis between 1989 and 1991, until the Mexican government established a band with upper and lower limits subject to a managed float. The peso was allowed to continue devaluing under the new float program, until January 1993 when the government created a new peso by moving the decimal point a few places. In effect, new pesos were created that were 3.27 to the dollar (Ibid.). If one continues to read through the testimony of the hearing, it becomes clear that several prominent economists had predicted a financial crisis in Mexico, primarily because the current account deficit was projected to be about $27 billion in 1994 (it actually reached $28b), which was considered unsustainable at about eight percent of GDP. “The exchange-rate relationship between the dollar and the peso will profoundly affect how any NAFTA operates and the distribution and nature of the benefits and burdens of NAFTA,” Chairman LaFalce remarked during the hearing. “Yet NAFTA establishes no mechanism to coordinate monetary
policy between the United States and Mexico, nor does it provide for consultations or corrective measures if exchange rates are used to promote competitiveness” (Ibid., 9). Despite the warning cries from LaFalce and others at the time, the criticisms went unheeded and most Congressmen ended up voting for the NAFTA without adding any protective measures in the event of a currency devaluation and resulting economic crisis.

An examination of the facts leading up to the Mexican peso crisis also indicates that the underlying problems were well known and understood by the Mexican government as well. In fact, it is well documented that Salinas engineered most of the monetary and economic circumstances in the lead-up to the NAFTA as a means to secure its implementation. As Robert Blecker of the Economic Policy Institute in Washington, DC explained in an analysis of the crisis in 1997, it was definitely true that Mexico’s macroeconomic and exchange-rate policies were flawed and the peso devaluation that took place after the ratification of the NAFTA was poorly managed as well. “Nevertheless, the peso had to be devalued in order to implement the Mexican strategy for export-led growth that NAFTA intended to promote – a strategy that was pushed on Mexico from the US government and US corporate interests that stood to profit from this trade agreement” (Blecker 2003, 1). In other words, he says, “Mexico had to devalue the peso in order to attract the direct foreign investment and export-oriented manufacturing that the NAFTA agreement was designed to promote” (Ibid).

Blecker acknowledges that Salinas may have further contributed to the severity of the peso crisis by not devaluing the currency earlier, but indicates he was dissuaded from doing so for three primary reasons. The first was that keeping the peso high kept inflation in check in Mexico and made exports artificially cheap. The second was that Salinas had handpicked Ernesto
Zedillo as his successor, and keeping the peso devalued helped Zedillo’s chances of winning the election. Salinas also boosted government spending, worsening the budget deficit in the lead-up to the election as well in order to please the voting public. Finally, and perhaps most importantly to Salinas at the time, Blecker says the high-valued peso helped secure votes on the passage of the NAFTA in November 1993. Why did it help? “The overvalued peso gave the United States a temporary trade surplus with Mexico in the 1991-1993 timeframe, creating the illusion that NAFTA would be a net job creator instead of a net job loser for the United States” (Ibid., 4).

As previously noted, jobs were the main story of the NAFTA to the US public by its governing officials. Bill Clinton noted in 1993 at the signing of the NAFTA side agreements on Labor and Environment, “We will make our case as hard and as well as we can. And though the fight will be difficult, I believe we will win. And I’d like to tell you why. First of all, because NAFTA means jobs, American jobs, and good paying American jobs. If I didn’t believe that, I wouldn’t support this agreement” (Clinton 1993, 1755). President Clinton even talked about leaving the NAFTA after three years if a review of the evidence at the time would suggest the treaty had actually cost American jobs in the United States. Therefore, there was considerable pressure to ensure that the record showed jobs would be created for Americans. Of course, the Mexican government was not immune to this kind of political pressure. Salinas had already promised in 1993 to raise the Mexican minimum wage in order to ameliorate concerns about low Mexican wages depressing US wages and leading to job losses for Americans. It is quite reasonable to conclude then, that the Mexican government kept the peso valued higher throughout the ratification process of the NAFTA with a planned eventual devaluation.
Theories about the ineptitude of Mexican politicians and economists who mismanaged the economy and caused the peso crisis unwittingly are often more popular in the United States than ones demonstrating that Mexico’s leaders were complicit in a shared effort to distort the market in ways that would support the forward momentum of the NAFTA. This is largely because these ideas gel more with the American sensibility of Mexicans being less-than-capable of managing the sophisticated machinery of global markets. However, Salinas, the Harvard-educated economist, was actually a lot savvier about his economic orchestrations than many Americans give him credit for. The US Congressional Research Service Report on the economic impacts of the NAFTA and the Mexican peso crisis bears this thinking out. In its explanation of why Mexico was not converging to US levels of per capita income, income per worker, or average wages by 2010, the author notes, “…Mexico has done poorly in implementing the economic reforms of the late 1980s and early 1990s, which has reduced economic growth instead of having the intended goal of promoting growth” (Villarreal and Fergusson 2013, 8). It also states, “…the government did not have the proper institutional and regulatory framework to properly implement privatization and trade liberalization efforts” and that “Mexico failed to take into consideration implementation of other economic reforms” (Ibid.). The analysis is pretty clear in asserting that Mexican officials were incapable of managing the outcomes of the trade agreement from an economic and financial perspective, and that US investors paid a heavy price for this incompetence, which could not have been entirely foreseen by US government negotiators who were hoping that the NAFTA would be a cure-all for Mexico’s economy. Once again, the positive intentions of the Americans in the trade effort, not to mention American
innocence in failing to fully comprehend and anticipate the potential failings of the Mexican leadership in handling their part of the bargain are on display in the document’s analysis.

Even if one cannot accept that the Mexican government and the Bank of Mexico intentionally kept the value of the peso artificially high to increase political support for the treaty in the United States by creating a bilateral trade surplus for the Americans, it seems clear that political sensitivity in Mexico had some bearing on its treatment of the peso as the crisis started to become apparent. Christopher Neely, an economist at the Federal Reserve Bank of St. Louis, outlines a theory along these lines that was raised in the aftermath of the crisis. Essentially, he reasons that the Mexican authorities were sensitive to US politics after the NAFTA was passed and may have been more reluctant than they should have been to permit the peso to depreciate. Specifically, in the wake of the assassination of Colosio, the presidential candidate for the PRI, there were several respected and high-profile economists that stepped forward in the United States and Mexico indicating the peso was overvalued and that faster devaluation was warranted. Neely theorizes, “…because such a course of action threatened to create political problems with the United States, political exigencies may have prevented an earlier, milder correction to the value of the peso that would have avoided the drastic correction of the later crisis” (Neely 1996, 35).

Regardless of which political theory one ascribes to, the harsh reality was that in 1995, Mexico’s economy faced serious shocks that plummeted its GDP by 6%, and though it made a modest recovery in 1996, the country was still struggling from a veritable economic recession. A study done by Harvard University of the crisis indicates, “As investors left the country, interest rates in Mexico increased rapidly, pushing many Mexican consumers and businesses who had
borrowed funds from commercial banks or from foreigners to default on their loans” (Musacchio 2012, 19). Moreover, as the economy continued to collapse, the international press began to document its spread to other emerging economies with a term called the “tequila effect.” Concerned about US investors that were harmed by the crisis and also concerned about the effects of it on international markets, President Clinton and a Treasury Team led by Robert Rubin and Lawrence Summers orchestrated a large-scale standby loan for Mexico. As the Harvard study details, it included, “…$50 billion of which the US Treasury provided $20 billion; the remainder came from the IMF ($8 billion), the Bank for International Settlements ($10 billion) and private banks (about $3 billion)” (Ibid., 22).

The bailout was widely criticized by Europe and other governments who thought it was irresponsible of the United States to use IMF funds in order to bail out private investors. It also created new challenges to the economy of Mexico, even though the government accepted less than what was offered and paid it back in less time than was needed. As Blecker points out, the foreign financial assistance was accompanied with new pushes by the United States and the IMF to “…maintain tight fiscal and monetary policies in order to placate nervous investors and suppress inflation” (Blecker 2003, 5). As a result, Blecker indicates, Mexicans struggled to realize the gains promised from the NAFTA and the entire export-led strategy. He states, “Some Mexican workers have gotten export jobs, but only at real wages that are 20% lower than they were in 1994” (Ibid.). Interestingly, the Congressional Research Service Report on the financial crisis in Mexico attempting to explain why economic conditions did not improve and incomes did not rise to the level of the United States in Mexico 16 years later euphemistically notes that, “Studies that have addressed the issue of economic convergence have noted that economic
convergence in North America might not materialize under free trade as long as ‘fundamental differences’ in initial conditions persist over time” (Villarreal 2013, 8). Most of these studies point out that, in order for Mexico to narrow income disparities, the government would have to invest substantially more in areas like education, innovation, and infrastructure, as well as significantly improve the quality of its domestic institutions (Ibid.). While this is not a unique situation to Mexico, but rather is shared by all emerging economies around the world, it has been extremely difficult for Mexico to make such investments in an age of imposed financial austerity measures.

*Agriculture Sector Dislocations and Uprisings*

The day the NAFTA took effect, Mexico was greeted by an armed uprising of 2,000 Maya Indians in the poor southern state of Chiapas. Their leaders, faces covered with ski masks, appeared in the global media saying that the NAFTA was a death sentence for Indians. Calling themselves the Zapatista Army of National Liberalization (EZLN), the Maya demanded land to farm and the return of the constitutional provisions protecting their rights to land. They were calling for democracy and the end to the systematic discrimination against them in the country. They also wanted better access to schools and medical care, essentially to be included in more of the benefits of Mexico’s developing economy. Carlos Aguilar, a Zapatista, is quoted as saying, “The peasants have awakened and realized that they had to do something in order for them to listen to us. Now the world is listening” (Foster 2009, 231). With these actions, Salinas’ promise of a modern and economically-strong Mexico began to collide with the reality of a Mexico that had been completely ignored by the policies of two successive conservative government administrations, and had also endured global financial crises. In Mexico’s indigenous states, such
as Chiapas, 70 percent of the population lived below the poverty line. During the Salinas years, extreme poverty increased by one-third (Ibid., 231).

Poverty is a real and wide-spread issue in Mexico, but one that varies dramatically among the 32 Mexican states. Indeed, one phenomenon observed in Mexico post-NAFTA is a highly unequal distribution of economic development across the country. Contreras says that an estimated 90 percent of the new foreign investment generated by the treaty have gone to only four states in Mexico, all of them located along the US border. “In recent years border states have grown at rates ten times greater than states like Oaxaca and Chiapas in Mexico’s impoverished south” (Contreras 2009, 95). As a result, the NAFTA has caused the gap to grow wider apart between the haves and have-nots, between the north and south, and between the exporting sectors of the economy and the sectors of agriculture and manufacturing that cater to the domestic market (Ibid.). “In the North and the major tourist centers, NAFTA provided a boost, as the majority of new investment poured into four northern states on the US border. But the NAFTA served to further divert attention from the problems with the agriculture economy in the heavily indigenous South, which stagnated with the elimination of federal subsidies” (Joseph and Buchenau 2013, 184).

A report on Mexico and the 1995 crisis by the US Congressional Research Service in 2010 also points out the persistence of poverty as an issue for Mexico. It notes that the Calderon and Fox administrations had made progress on poverty reduction efforts, but that it persists as a significant challenge to the country’s overall development. In terms of its basic causes, the report says, “Poverty is often associated with social exclusion, especially of indigenous groups of people who comprise 20% of those who live in extreme poverty” (Villarreal 2013, 5). The report
goes on to say that the 1995 peso crisis was a “major setback” to Mexico’s efforts to alleviate poverty levels. In fact, poverty levels did not decline to pre-crisis levels until 2002 (Ibid.).

The social and political exclusion of the indigenous was one of the primary causes of the Zapatista uprising after the NAFTA’s passage, but not the only one. The indigenous people of Chiapas are descendants of the ancient Mayans. As one scholar of the uprising noted, “These people made their living off of the land they live on, but after the conquest would work for the owners of large, underdeveloped estates who raised cattle, sugar, and grains. The cities collected taxes from the neighboring tribes and were the centers of trade. This made Chiapas a self-sufficient state that was effectually closed off from the rest of Mexico” (Solorzano 2004, 6-7). The tides turned on Chiapas’ independence movement in the 19th century when the Mexican government moved in and sold large tracts of the land to foreign investors, primarily from Europe and the United States, who wanted to increase production of tropical agricultural commodities like coffee, fruits, sugar and chocolate, amongst other things that were in high demand at the time on the world market. The government invasion marked the beginning of a long struggle between foreign land owners in Chiapas and the indigenous population there that were coerced by any and all means, but mostly financial, to continue working the land there in order to sustain themselves and their families (Ibid.). In the 1930s, agrarian reform returned some of the land to the indigenous peoples, but for the most part an institutionalized practice continued straight through to 1994 and the NAFTA’s passage where wealthy plantation owners coerced the indigenous of the area to work their lands for barely enough compensation to ensure their survival.
The rebel Zapatista movement that captured the world’s attention in the wake of the NAFTA agreement brought to light long-standing issues about the indigenous peoples, their poverty and their ties to the land. While in recent decades Chiapas had become recognized at the national and international level as one of the most resource-rich states in all of Mexico, with booming production of coffee, cocoa, corn, cattle ranching and timber harvesting, as well as rich oil and gas resources, it was the Zapatistas that revealed to the world that it is also Mexico’s poorest state (Schmal 2004, 6). Indeed, “Ninety-four of its 111 municipalities live on the poverty line. In Ocosingo, Altamirano, and Las Margaritas – the towns where the Zapatista Army first came into prominence in 1994 – 48% of the adults are illiterate. Eighty percent of the families earn less than $245 a month and seventy percent have no electricity” (Ibid.). In response to their government’s move to continue expanding the practice of privatizing indigenous lands, without any regard for the growing inequities in the region, the rebels seized the opportunity to make their causes known by occupying several towns of Chiapas. They carried out some dramatic acts like seizing a nearby military base, capturing weapons and releasing many prisoners from the local jails. The Mexican Army responded swiftly and with brute force, pushing the rebels back to the rural highlands of Los Altos.

Before they were contained, the rebels set off many alarm bells among global observers of their actions documented by the international press, with their ski masks and their proclamations in news reports demanding land, labor, shelter, food, education, independence and other similar rights (Cook and Lindau, Eds. 2000, 83). Although the EZLN did initially make statements indicating that the signing of the NAFTA inspired its revolution and was linked to their decision to rise up the first day of its implementation, various ethnographers and scholars of
the uprising have since determined that it is unlikely the trade agreement itself was central to their concerns, as they had planned the date of the uprising long before it. The NAFTA was more of a pretext for the EZLN (Collier 1994, 88-89). That said, the uprising was clearly tied to the fact that the indigenous population felt socially and politically excluded in the country, in increasingly painful ways, as successive governments focused their attention exclusively on shifting to an industrial and export-led economy. The Zapatista struggle was centered on land and preserving the dignity of the indigenous people.

The Mexican government sought, at first, to paint the Zapatistas as gullible natives inspired by foreign subversives; however as the conflict continued, the general public, as well as many government officials in Mexico, eventually realized that the social base of the Zapatistas was almost exclusively indigenous. “Indeed, in successive public statements the EZLN insisted increasingly on the question of indigenous rights and culture, participation of the indigenous people in the political process, legal recognition of indigenous peoples and communities, as well as territorial, political and legal autonomy at the local and regional levels (the latter demand being rejected adamantly in official circles)” (Cook and Lindau, eds. 2000, 83). In many ways, the concerns of the indigenous of Chiapas were a microcosm of the larger concerns of all peasants in Mexico at the time, which also included issues about land and water rights, agrarian reform issues, access to markets, farm prices, subsidies and other matters. These were not new issues for Mexico; in fact, quite the contrary. As previously noted, the country has had a long history of struggles between indigenous and peasants who have long been tied to the land and agriculture for survival. Confrontations with successive waves of foreign and local owners of land and capital who have oppressed the indigenous in different ways are well-documented in the
history books, as they were central to the nation’s two revolutions. Indeed, as one scholar explained, “The Zapatistas’ fight is one which calls for the return of the land to the people who work it and live off of it. They ask for food, hospitals, shelter, and education as well because these aspects of necessity have been neglected by the government. Their mentality is that they are not just asking for a favor by the government, but demanding a right. In this then, they are representing all the indigenous people and not just the people of Chiapas” (Solarzano 2004, 11).

Thus, just as the NAFTA was coming into force in modern Mexico, a treaty that locked in many economic reforms centered around a shift from an agricultural society to an industrial one focused outward for growth, age-old concerns about the indigenous peoples whose ways of life had always been exclusively tied to the land were thrust into the political limelight once again. Chiapas also happened to be the poorest Mexican state that had the highest indices of poverty and the fewest social services. It was a place unvisited by the modernity and democracy that Mexican political leaders of the day consistently said it stood for and called forth on the global stage. Yet, as George Collier pointed out, “…it was also a region of transformations that penetrated the lives of peasants and indigenous people who make up more than 30 percent of the total population and who throughout Mexico have the lowest levels of economic and social development” (Collier 1994, XIV).

These were transformations that had been occurring in the country since the 1950s, and even earlier, with the deforestation of the Lacandon jungle and the construction of hydroelectric dams to control rivers and generate electricity for the rest of the country and, of course, the following exploitation of the region’s vast reserves of petroleum. In this way, the indigenous population of Chiapas was not completely marginal and ignorant of national events; they simply
suffered the effects firsthand. Collier explains, “What occurred in Chiapas beginning in 1994 could have occurred (or can occur) in any state in Mexico” (Ibid., XV). Of course, this type of idea also caused many investors on the US side of the fence to have serious concerns that Mexico may not have been ready for increased economic engagement with the First World after all, which caused some of the capital flight that precipitated the 1995 peso crisis, making the situation even more dire for the poorest and most vulnerable people in Mexico.

The reality was that the NAFTA was ushering in a whole new era of economic dislocation for those who worked in the agriculture sector. The uprising in Chiapas was just one national symbol of the internal discord associated with locking in this shift away from rural agricultural production toward a massive industrial build-up that would emerge in coming decades. As previously noted, the NAFTA agreement removed tariffs (but not subsidies) on agricultural goods, with a transition period in which there was a steadily increasing import quota for certain “sensitive” commodities. The most important of these commodities to Mexican producers was corn, for which the transition period ended in 2008. As a Center for Economic and Policy Research study on the NAFTA’s impact on Mexico after 20 years indicates, “Not surprisingly, US production, which is not only subsidized but also had higher average productivity levels than that of Mexico, displaced millions of Mexican farmers” (Weisbrot, Lefebvre and Sammut 2014, 13). They include a chart in their analysis that leverages census data from 1991 and 2007 showing that there was a 19% drop in agricultural employment, or about two million jobs overall.² The loss was primarily in family labor employed in the farm sector. Seasonal farming employment gained about three million jobs, but it was not enough to

² Table illustrating the drop in Mexican employment in the Agriculture and Forestry sector between 1991 and 2007 included in the Appendix.
compensate for the five million jobs lost in the family farm sector (Ibid.). The authors further point out that while proponents of the NAFTA in both the United States and Mexico expected that Mexican family farms would be displaced by competition with better-resourced American ones, they argued that these families would shift to higher-productivity agriculture and industrial jobs. However, while they do note some increase in vegetable and fruit production, it was clearly not enough in terms of employment (Ibid., 14). In the end, they tie these job loss numbers to the increasing amounts of migrants leaving Mexico from the United States, in much the same way Massey, Durand and Malone did in their analysis, and note that it is questionable immigration reform would have become an issue in the United States, as it still is today, if not for the poor performance of the Mexican economy in the NAFTA years.

**Industrializing Mexico**

It is clear from the Mexican government’s negotiating posture in the NAFTA that it was willing to cede ground in its agricultural sector in order to gain investments and participation in building more of an industrial presence in Mexico. The Salinas government had strongly-held neoliberal beliefs that an increase in manufacturing and exports would lead to significant jobs and productivity increases, as well as an overall boost to the nation’s economy. Mexico does have a large population to employ and definitely needs to be mindful of how it can generate enough jobs to keep pace with the population growth. The country’s very high population growth rates from the 1940s to the 1970s translated to a demographic bulge in the labor force throughout the 1990s as people born in the earlier decades grew up and began looking for employment (Tuiran et al. 2002, 483-484). In the 1980s and 1990s more women were joining the Mexican work force as well, in part because of declining productivity rates, but also because of the need
to support household incomes during the recurrent financial crises. Overall, the Mexican labor force grew from about 32.3 million immediately before the NAFTA to 40.2 million in 2002, which meant Mexico needed to keep pace creating almost a million jobs a year simply to absorb the growth in the overall labor supply (Duignan 2003, 16). As noted previously, the realization of this vast pressure to generate growth capable of fulfilling the demand for jobs was one of the primary drivers of the Salinas government in seeking out the United States to negotiate the NAFTA.

Neoliberal economic theory would suggest that opening to trade would increase the demand for labor and, in a labor-abundant country like Mexico, an uptick in labor demand should translate to an increase in the number of jobs, wages paid, or both. Clearly, that is what the Salinas government was counting on to happen when it moved to sign the NAFTA. That said, in practice, the effects of a trade agreement on jobs creation really depend on a variety of detailed factors, such as which tariffs are reduced by which countries, at what pace, and in what sequence. It is far more complicated at the micro-industrial level than it is at the overall macro-economy one. As previously noted, in extremely detailed and nuanced trade agreements, the devil is most certainly in the details. The way the tariff schedule was designed in the NAFTA, the United States was much more specific than Mexico about how much it cut tariffs in certain areas and in what sequence, in a strategic and targeted way that assessed each domestic industries’ ability to compete against the country’s overall demand for products. In contrast, as Sandra Polaski of the Carnegie Endowment for International Peace points out, “…Mexico cut tariffs dramatically on both agricultural and manufactured goods from the United States” (Polaski 2004, 2). As previously noted, the Mexican government also was not rigorous about
enforcing quotas or subsidy violations from the United States and other nations, even when economically sensitive products like corn and maize, central to the Mexican diets, were concerned. Of course, the reason for this lack of enforcement was really another matter of economic development. Mexico simply did not have the resources or the infrastructure required to quickly develop and train trade agreement enforcers. It is an enormous financial and organizational undertaking simply for countries to erect the government bureaucracies required to deploy international trade monitoring and support mechanisms.

Still, while the smaller and lesser-resourced Mexican negotiating team may not have been as strategic as the US team was in staging tariff cuts and quotas to the country’s best economic advantage, the overall result of the NAFTA was an increase in trade between the two countries, and, in particular, an uptick in exports from Mexico to the United States. Indeed, Mexico went from having a trade deficit with the United States before the NAFTA to having a substantial net trade surplus by 2002. Given the uptick in trade, it has been difficult for some to understand why that has not translated into actual jobs or wage increases for Mexican laborers. Job growth in the country has been sluggish. According to economic reports from the World Bank and the Mexican government’s official figures by 2003, “There has been little job creation, falling far short of the demand in Mexico from new entrants into the labor force. Manufacturing, one of the few sectors to show significant economic growth, has seen a net loss in jobs since NAFTA took effect” (Wise and Gallagher 2002, 1). Thus, the reality of the NAFTA has been one of strong growth in the overall volume of manufactured products, but also disappointing levels of manufacturing employment.
There are a number of factors that can explain the discrepancy between the production output and jobs creation in the NAFTA case. Certainly, productivity itself in the manufacturing sector can put downward pressure on jobs. Machines often end up replacing the manual labor of workers. However, given the fact that a lot of Mexican industries were in early stages of mechanization, even in the 1990s, productivity increases alone would not sufficiently explain the very slow growth in manufacturing employment. What has likely made a bigger difference is that the way the Mexican manufacturing sector has been developed as primarily an export engine for the country. What ends up happening is that most of the raw materials are imported to Mexico for processing and assembly and then re-exported again to countries like the United States. In that case, the benefits of building out just that one segment of the value chain in manufacturing can be relatively low for the overall economy. One of the reasons is that it often limits job creation to one narrow segment of the manufacturing process. This has certainly happened in the *maquiladora* segment of manufacturing in Mexico, but is typical of non-*maquiladora* segments as well (McGuigan, Moyer and Harris 2008, 246). Indeed, every country that attempts export-led growth has to take measures to combat this reality and find ways to develop and broaden the capabilities and sophistication of its industrial base from bottom-to-top and then again from top-to-bottom. China, one of the most well-known national models of export-led growth in the world, is now undergoing a massive macro-economic restructuring after many years of executing a bottom-to-top strategy to develop the breadth of its industrial base at the micro-levels (Pettis 2013, 1-21).

In Mexico’s case, as Sandra Polaski points out, in the *maquiladora* sector, “…97 percent of components are imported and only three percent are created locally in Mexico today” (Polaski
Similar figures reported for non-\textit{maquiladora}\ manufacturing segments as well. She reasons that a lot of the loss of locally produced manufacturing inputs is the result of large multinationals moving in to Mexico to establish assembly and processing plants, and displacing local materials and components producers with their large intra-firm bases for these. Certainly, intra-firm production in segments like the autos and the electronics industries in Mexico have relied heavily on imported inputs. It seems reasonable that others have been displaced as well, limiting the amount of manufacturing jobs created.

Another important factor that can help explain the loss of jobs in the domestic manufacturing sector is the displacement of workers caused by a rise in foreign manufacturing products. This can be exacerbated in Mexico, given its tendency to keep the peso artificially high in order to prevent inflation in the country. The result is that foreign imports end up looking a lot more economically attractive to consumers. A study by the Carnegie Endowment for International Peace authored by Eduardo Zepeda, Timothy Wise and Kevin Gallagher in 2009 also raises the issue of imports as a reason for faltering job growth in Mexico after the NAFTA. They note that the country’s infrastructure problems, which hampered local manufacturers from reaching markets that larger and better-resourced foreign firms could reach, as well a lack of available credit in the country to support local firms with their development meant that many Mexican manufacturers went out of business when faced with direct competition from foreign imports (Zepeda, Wise and Gallagher 2009, 8). Of course, being hampered by the financial crisis of 1995 to invest in education and research and development efforts, the Mexican government did not have a lot of financial latitude in the decade after the NAFTA was signed to provide supports for generating jobs in the high-skilled segments of the economy. This is changing now,
more than 20 years after the NAFTA was signed, but for many years Mexico struggled to marshal investments to the right sectors that would help the overall economy move up the value-chain and generate the kind of growth it was seeking through the trade agreement.

One of the areas anticipated to be a bright spot for increased employment in Mexico post-NAFTA was the *maquila* industry, which was originally created in 1965 to allow tariff-free and tax-free imports of materials and components into Mexico for assembly and re-export to the United States. Manuel Pastor and Carol Wise note that in the first five years after the NAFTA, *maquila* exports accounted for more than 50 percent of the expansion of industrial exports in Mexico. By 1998, the *maquiladoras* comprised over two thousand firms, accounting for about a half a million manufacturing jobs in Mexico (Wise, ed. 1998, 56). Contreras notes that an estimated 700,000 new jobs were created in *maquiladoras* during the first seven years of the NAFTA era (Contreras 2009, 94).

However, even at that early stage of the post-NAFTA era, Pastor and Wise were cautiously optimistic about the future of the *maquilas*, saying, “It is important not to exaggerate the potential of the *maquila* industries to resolve the distributional shortcomings [of Mexico]” (Ibid.). Understanding that the logic of production in the key manufacturing subsectors such as electronic components, transportation equipment, etc. are hinged on combining foreign investment from capital-abundant nations like the United States with Mexico’s abundant supply of cheap unskilled labor, Pastor and Wise anticipated *maquila* production may ultimately be regressive. What was perhaps not anticipated was that Mexico’s *maquiladoras* would be put under intense pressure so soon after the NAFTA, because of fierce competition with China. “The competitive advantage afforded by its cheap labor was gravely undermined by the rise of China
as a global exporting behemoth” (Contreras 2009, 94). Indeed, Contreras notes that by the tenth anniversary of the NAFTA, 300,000 of the *maquiladora* jobs that had been created were eliminated as scores of American companies shuttered their Mexican operations and relocated to China and other countries with even lower wage scales. In that same year, Contreras says, “China replaced Mexico as the second largest supplier of imported goods to the United States” (Ibid., 94). As Bill Ong Hing points out, Mexico’s growth strategy and its reliance on the *maquilas* as a source of cheap labor for exports was always extremely problematic because “multinationals that set up shop this way can abandon a particular country when cheaper labor is found in a different country” (Hing 2010, 19).

In terms of the impact of the NAFTA on jobs creation overall in Mexico, Contreras says, “the increasingly dominant role of US companies in the Mexican economy is epitomized by the likes of Citigroup, which owns what was once the country’s largest bank, and Wal-Mart, the nation’s largest private sector employer with over 150,000 employees on its payroll who work at over 1,000 stores and restaurants nationwide” (Contreras 2009, 7). Indeed, Robert Blecker argues that the influx of large American multinational corporations in Mexico was the goal of the NAFTA itself. “Fundamentally, what NAFTA did was codify a process of economic integration in North America that was already taking place in North America in a way that maximally promoted the interests of large multinational corporations (MNC’s) and financial institutions” (Blecker 2003, 5). While the MNC’s employ a significant percentage of people in Mexico in the post-NAFTA era, Blecker feels they are adding to the overall social problems by contributing to and profiting from the ever widening distribution of income that is very concerning in Mexico. He includes a table in his analysis that shows all three signatory countries have experienced a
widening gap between growth in labor productivity and real compensation in manufacturing since 1990. While it is true that wage depression cannot be blamed on the NAFTA alone—indeed, as noted, it predated the NAFTA, the fact that it has continued to widen, particularly in Mexico even after the peso crisis means that the macroeconomic conditions impacted by the NAFTA have contributed to the problem. As Blecker notes, “The upshot of these widening gaps has been a corresponding widening profit margin for the MNC’s that dominate manufacturing production in all three nations” (Ibid., 13). The increasing presence of multinational corporations in Mexico has also linked the country more closely to the business cycles of the United States, which has also increased Mexico’s economic dependence on its larger Northern neighbor.

An assessment of the NAFTA’s impacts done by Harvard University asserts that one of the key benefits to the Mexican economy was the fact that it ultimately became more tied to the United States. “Trade with the United States and other countries expanded rapidly, and the business cycle of Mexico synchronized with that of the United States” (Musacchio 2012, 24). The author also argues that this closeness contributed to the large up-tick in Foreign Direct Investment (FDI), putting Mexico at the top of FDI recipients from the United States among emerging economies (Ibid.). Jaime Serra Puche, Mexico’s lead negotiator of the NAFTA, also commented on the increased economic ties to the United States in his 10-year assessment of the agreement at the Council on Foreign Relations, which he cast in the light of increasing macroeconomic stability. “Before NAFTA, Mexican and US GDPs used to be countercyclical. We had a correlation of minus-35 percent. After NAFTA, not only the sign changed, but also the

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3 Table including Productivity Statistics and Real Hourly Compensation for Manufacturing Employees in the United States, Canada and Mexico between 1990 and 2003 included in the Appendix.
value of the correlation. Now we have a…74 percent correlation…; before, we were countercyclical” (Bhagwati and Haass 2004, 16). The key benefit of being in synch with the United States, according to Serre Puche, was that it eliminated volatility in the overall market and exchange rate because imports and exports either rise or fall at roughly the same rate, since the source and destination of each is primarily the same country.

Countless economic analyses bear out the same conclusion about the new economic ties between Mexico and the United States that Serra Puche indicates was a key goal of the Salinas government and the Mexican negotiators in the NAFTA. One study by the Center for Economic and Policy Research released 20 years after the NAFTA contains a helpful chart showing how the US and Mexican economies have moved in synch together over the last 20 years. With respect to the benefits of this synchronicity, the authors point out that, “Unfortunately, 1994 was a particularly bad time for Mexico to hitch its wagon to the United States” (Weisbrot, Lefebvre, and Sammut 2014, 17). First they note the peso crisis, which they believe was made worse in Mexico by the US Federal Reserve’s short-term rate increases the same year. Perhaps even more importantly in this regard, they note, “…the US was just beginning a period in which its growth would be driven by enormous asset bubbles” (Ibid., 20). First it was the stock market, which burst in the 2000-2002 timeframe, causing a recession in both countries. Soon that bubble was replaced by real estate, which became the biggest asset bubble of all time, and burst in the 2006-2008 timeframe. America’s Great Recession hit Mexico particularly hard, with a decline in GDP of nearly 7% in that timeframe (Ibid.).

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4 Table illustrating the way Mexico’s GDP growth has increasingly become in synch with US GDP growth cycles since NAFTA was implemented in 1994 included in the Appendix.
While it is often easy to become desensitized to figures like these and detached to their implications, some researchers have succeeded in putting them in more human terms. Lukasz Czarnecki, a Postdoctoral Fellow at the National Autonomous University of Mexico (UNAM) writes in a piece called “The Case of Mexico” that the 2008 global crisis had a strong impact on Mexico because it was intermingled with a phenomenon he calls “the permanent crisis” (Czarnecki, Balleza and Saenz 2014, 54). From his perspective, the fallout from the developed world and the resulting impact on Mexico was a sign that the country is permanently locked into a structural economic relationship with the United States that ensures persistent income inequality in the country. Leveraging the country’s economic data, Czarnecki points out that the GDP declined after 2008, that the trade balance with the United States continues to trend negative, and that Mexican unemployment doubled in the 2006 to 2008 timeframe:

The direct consequence of the 2008 crisis was the decline in the GDP as the Mexican economy is strictly influenced by the US economy; the decline in the GDP of the US caused lower US imports from Mexico and lower Mexican exports; after the decline in GDP and the decline of the household consumption occurred in Mexico; it was followed by the decline of the private investments and the further decline in GDP; then the falling tax revenue (fiscal deficit), the lower public spending and the new decline of GDP happened; the last stage consisted of the neoliberal adjustment. (Ibid., 57)

According to Czarnecki, the fallout from the global financial crisis is the real-life implication of Mexico’s acceptance of neoliberal economic policies. He points out that President Felipe Calderon (2006-2012) announced anti-crisis measures in 2008, including investment in public policies, infrastructure and social protection. Nevertheless, no implementations actually followed. The result is that by 2013, when Czarnecki drafted his analysis, Mexico had still not

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5 Charts illustrating Mexico’s unemployment growth and the rising gap between the richest and poorest populations in Mexico since the 2008 Financial Crisis included in the Appendix.
reached pre-crisis levels of development. Of course, the hardest hit by the financial crisis in Mexico have been the poor and vulnerable segments of the economy. An analysis of the changes in the total current monthly income per capita shows that, between 2008 and 2010, there was an overall drop in income and this affected the purchasing power of the population. The largest fall was recorded in the first decile (-8.7) percent from 2008, the eighth with (-6.2) percent, the seventh was a reduction of (-6.1), with the tenth decreased by (-3.7) percent. The disparity of income between the first and the last decile grew from 2008-2010; in 2008 the richest were 33.7 times wealthier than the poorest, while in 2010 this figure had grown to 35.6 times wealthier (CONEVAL 2012, 1).

Indeed, when the Mexican economy contracted by 6.6 percent overall in 2009, it had serious impacts on infant mortality in Mexico, as the most vulnerable groups tend to be infants and the elderly (Arceo-Gomez 2010, 151-152). In 2008, infant mortality was at 15.2 deaths per thousand live births. The crisis increased the number to 18.75, which is the level that Mexico had last experienced in 2000 and 2001. With respect to the elderly, it was estimated that a one percent decrease in economic activity would lead to about 2,400 deaths in the country:

Given our results, a one percent contraction in the economy would result in 640 additional infant deaths and around 960 additional elderly deaths. It is very important to stress that mortality due to malnutrition increases during crisis periods: we found that 30 additional children die with a one percent decrease in GNP, and that in total there are 160 additional deaths due to malnutrition. It seems very important to create instruments that shield the children and the elderly from negative economic shocks. (Ibid., 151)

The analysis is cast in economic terms, but lays bare the human consequences of economic actions and decision-making.

160
It is, therefore, a mixed bag for the NAFTA to have helped Mexico lock-in such exclusive ties to the US economy. For many in Mexico, the economic closeness entails a troubling loss of sovereignty, which was a key fear among those who would be impacted by the NAFTA agreement when it was negotiated. To illustrate this idea, numerous commentaries around the time of *La Noche Mexicana*, the celebration of Mexican Independence on September 15, linked the NAFTA to the increasing economic and cultural dependence of Mexico on the United States and a decrease in Mexican national sovereignty. For example, on September 11, 1995, the front cover of *el chahuisele*, a critical commentary and political cartoon magazine, had a drawing of the bell rung by Hidalgo to announce Mexican Independence with a “For Sale” sign tied to it and a note above the bell saying: “*Que viva Mexico!* (lo que queda, pues)” (“Long live Mexico! (Or what's left of it).”)

*United States After the NAFTA*

Trade Becomes Heated and Politically Divisive

If the NAFTA was controversial in the United States before it was signed, it became even more of a hot-button issue in the country in the years following its passage. Much of the reason for the on-going controversy and heated debates on the agreement and what it has or has not achieved results from the need to sort out fact from fiction or to separate political rhetoric from actual strategic goals of having forged the agreement in the first place. For instance, the fact that the public debate in the United States was centered on jobs and the creation of high-paying American jobs was, as previously noted, largely a political tactic on the part of both US and
Mexican politicians and MNC’s to win public support for the agreement. The actual commercial
goal, which can be discerned from the text of the agreement, was more around increasing market
access for a range of agricultural and manufactured products, especially for those companies
well-resourced enough to take advantage of international trade opportunities. Nevertheless, the
general public in the United States, most of whom have not and will never read the agreement or
even a credible analysis of the agreement, remains fixated on figuring out if the agreement did
actually create jobs in the United States. This type of question and debate tends to mute all
others, much like the political rhetoric muted debates about the real issues and impacts
associated with the trade agreement.

As noted previously, it is difficult to discern exactly how employment is impacted by
trade, and there are conflicting reports on the NAFTA’s impact, primarily because most analyses
rely on over-simplified and computer-based models to discern the totals. However, most
thorough and credible analysts agree “…the evidence indicates NAFTA has had little effect on
US employment” (Thorbecke and Eigen-Zucchi 2002, 647). It does, however, seem to have had
a positive catalyzing impact on the amount of goods traded between the two countries, which
was the actual objective agreement, based on a review of its text. If the creation of jobs had been
an actual goal of the NAFTA agreement, it would not have relied on increased commercial
activity to generate jobs as an article of faith. Rather, the text would have explicitly accounted
for impacts to labor of the agreement, including the movement of labor as a necessary adjustment
in order to ensure an increase in job creation.
There is a large body of economic theory and academic work on international trade that confirms in order to actually reap social benefits from it, such as an increase in employment, a variety of adjustment policies are needed. This type of analysis was already readily available to political negotiators before the NAFTA was negotiated, but was summed up in a 2010 report to the G-20 developed jointly by the OECD, ILO, World Bank, and the WTO. The opening to the report reads:

The message is clear: open markets can contribute to growth and better employment outcomes; this was true before the crisis and it remains true today. In the near term, given pressures on governments, the financial sector, and households to strengthen balance sheets, further trade opening can generate an additional stimulus that will create employment opportunities for the world as a whole. The benefits of trade generally outweigh the costs associated with the reallocation of labour and capital to more efficient uses. However, if support for open markets is to be sustained, those costs need to be recognized and policies put in place to assist workers and communities to adjust to a more competitive environment. It is for this reason that the report considers not only further liberalization of trade in goods and services, but also highlights the importance of complementary action at the national and international levels to facilitate adjustment and ensure that the benefits of trade are widely shared. (Report of the OECD et al 2010, 2)

In other words, the global institutional leaders of capitalism all continue to agree with the underlying philosophy that propelled the NAFTA and other trade agreements like it forward. They believe that increased economic activity at the international level, even if it occurs mostly among the organizations within the top echelons of the market, is (on balance) better to have happen than not. They believe that benefits of the productive activities will eventually make their way down to the lower levels of the economy by virtue of employment and improved healthcare, as examples. They also accept that it is the poorest and most vulnerable that will typically bear the brunt of the fall-out from increased economic competition that is associated with trade. However, they must acknowledge, especially in times of great economic stress worldwide, that it
is preferable to take proactive policy action to mitigate the “fallout,” of international trade, which on a micro-level actually translates into peoples’ lives and livelihoods. The document provides some recognition that the people who are impacted by trade agreements actually do want to benefit from increased jobs and opportunities, which are the reasons the political rhetoric is cast in those terms. However, policy action must accompany these stated goals in order to make them become reality, because they are not automatic outcomes of international trade.

The fact that most observers of the NAFTA can point to areas where jobs were lost as a result of the agreement or to overall assessments that the trade pact was either not positive for job creation or, at best, only modestly so has greatly impacted public sentiment about the value of international trade, in general, in the post-NAFTA environment. By manipulating the public’s impression of the value of trade agreements in order to get them passed, proponents of international trade actually end up alienating potential supporters who do occasionally want to review the results of major international decisions like these. The fact that the Mexican peso crisis happened so soon after the signing of the NAFTA agreement, causing the United States and other nations to have to extend billions of dollars in credit lines to the country in order to stabilize the situation did nothing to improve the public’s perception of the value of international trade.

The decision to provide the bailout was controversial in the United States and was not supported by the US Congress at the time. Lawrence Kudlow, economics editor of the conservative National Review magazine summed up a lot of the American public’s sentiments about the proposed bailout when he testified in 1995 before the Senate Foreign Relations
Committee. “This is not a bailout of the Mexican peso or the Mexican economy. It is a bailout of US banks, brokerage firms, pension funds, and insurance companies who own short-term Mexican debt, including roughly $16 billion of dollar-denominated tesobonos and about $2.5 billion worth of peso-denominated Treasury bills. It is also a bailout of the Mexican government which incurred these liabilities. Finally, it could be a bailout of another $20 billion of Mexican private-sector bank certificates of deposit, commercial loans and trade credits” (Wheat 1995, 4).

Facing Congressional opposition to the bailout, President Clinton ended up securing support from Cabinet officials to utilize a special Exchange Stabilization Fund (ESF) to offer the package to Mexico, along with support gained from various international financial institutions. Ultimately, the Clinton administration did try to assuage the public that the bailout was necessary and positive, even though the majority still believed its primary beneficiaries were Wall Street financiers, billionaire Mexicans and their cronies in the Mexican ruling party. Making these public arguments, especially through the front-man Robert Rubin, a former Goldman Sachs investment banker, soured the American public even further on the so-called “benefits” of international trade and commerce.

As former US Trade Minister, Carla Hills consistently argued in the public domain that engaging in the NAFTA negotiations led to a renewed focus at the international level for reopening the stalled Uruguay Round talks and ultimately securing an agreement. In a 2013 Op-Ed for the New York Times that Hills drafted to describe how engaging in the Trans-Atlantic Trade and Investment Partnership (TTIP) between the United States and the European Union could lead to a successful closing of the Doha Round of negotiations, she drew a parallel to what she
believes was the response to the closing of the NAFTA negotiations at the end of 1992. “The world’s reaction was broad, deep and fast. In just a few months following the passage of NAFTA, trade negotiators returned to the bargaining table, completed the Uruguay Round, and created the WTO to the enormous benefit of the global economy” (Hills 2013, 1). Foreign policy scholar David Bosco wrote his own Op-Ed in response to hers the same year noting that “…there is no direct evidence that NAFTA did in fact save the Uruguay Round,” and that the “…WTO’s official description of the Uruguay negotiations makes no mention of NAFTA” (Bosco 2013, 1), making it difficult to know whether Hills’ assertion is representative of fact, a form of political shelter, or an article of faith.

She herself also pointed out that the NAFTA had an unfavorable overall impact on the country’s willingness to engage in future trade pacts in her 10-year review of the agreement’s passage and results, noting that the public’s perception of trade based on what transpired in the aftermath of the agreement negatively impacted subsequent trade negotiations:

Well, first and foremost commercial benefits and expanded opportunities alone are insufficient to generate broad support for a comprehensive trade agreement like the NAFTA, much less intensive social and political integration that some have addressed; the so-called NAFTA-plus approach. The rallying cry of no more NAFTA succeeded in preventing our president from obtaining trade negotiating authority for eight years, eight long years, and it still reverberates, that slogan, that mantra, in the United States. (Bhagwati and Haass 2004, 5)

Indeed, it remained a considerable political battle for President Obama to secure trade negotiating authority in 2015. However, Republicans eventually joined with him to allow fast-track negotiating authority for the Trans-Pacific Partnership (TPP) agreement forged with countries in the Pacific-Rim.
In her statement, Hills fails to acknowledge that, in addition to public outcry in the United States alone, the NAFTA gave new life to an entire anti-globalization movement of people who were critical of international trade and corporate capitalism. These activists strengthened considerably in the mid to late 1990s, with the NAFTA as one of the key targets of their criticism and demonstrations. Most people are familiar with the major political movement that occurred in Seattle in 1999, when protestors blocked the delegates’ entrance to the WTO buildings and forced a cancellation of the opening ceremonies. These opposition forces continue to organize and publicly challenge the notion that multinational corporations are granted excessive political agency through trade agreements and deregulated financial markets. Clearly, the NAFTA struck a nerve with these protestors and caused them to mobilize in opposition to the agreement and the systemic power structure it essentially institutionalizes in North America.

Hills does acknowledge in her review of the NAFTA that the results probably do suggest that political leaders that are currently in offices like the one she used to hold, must now become more nuanced and honest with the public about the realities of trade agreements. Her remarks are very resonant with the 2010 statement of the international financial institutions:

To enable our governments to move forward with further integration in the North American region, we will need to persuade a far greater number of our citizens that economic interdependence is the best tool that we have to generate economic growth, alleviate poverty, and encourage stability. And we will fail in that task unless we admit up front that trade does not make every citizen a winner and pledge to help those left out not by closing down trade, but rather by allocating some of the gains derived from trade to help those displaced because of the changes driven primarily by technology, but also by trade. That will require us to give much more emphasis to education to raise the skill levels of those most adversely affected by low-cost competition, and we will need to develop better mechanisms than our current trade adjustment programs to deal with displacement. (Ibid.)
With this eloquent summary, Hills is essentially acknowledging that some of the painful economic adjustments and other fallout in the wake of the NAFTA do beg questions about government responsibilities to the public when negotiating these agreements, and one in which her own team fell short in fulfilling. The issues she raises for future generations to acknowledge and tackle though, are important ones to have on the table in a functioning democracy. It is, after all, one thing for government officials to hold a certain philosophy about the “right” set of actions to take in order to generate positive outcomes for the people and the country large. It is quite another to misconstrue the facts associated with these actions, restrict public access to accurate information about them, and then to fail to take action to mitigate undesirable impacts to those who are essentially powerless to influence what is taking place. Essentially, these actions could be considered a form of economic warfare committed against a certain subset of the citizenry, and should be acknowledged as such. Hills makes all of this plain in her retrospective on the NAFTA, demonstrating that hindsight is often much clearer than foresight in business and in politics.

It is interesting to note that today, more than 20 years after the NAFTA, international trade continues to be a contentious political issue in the United States, which has slowed the pace of agreements by a considerable margin, but discussions about actual impacts of agreements and making sure protections for the poor exist are more transparent than ever before. The fact that the current international trade round in Doha was billed as a “development round,” and put under the pressure of benefitting the least developed countries in the world in the toughest areas like agriculture trade, is just one sign that our global public consciousness about what agreements
like these actually mean and actually accomplish is becoming increasingly sophisticated. It should not be surprising then, that these agreements are also more difficult to accomplish in a more transparent environment. Doha is still not passed after 15 years of effort, and the marquee Trans-Pacific Partnership championed by the Obama administration, began with a thud but is finally nearing completion 10 years after negotiations began. This time-lag is surely a sign that the selection of economic winners and losers in the marketplace is much easier to accomplish among a smaller circle of like-minded constituents.

**September 11 Shifts Focus From Increased Regional Cooperation**

Long before US President Obama first raised the issue of re-opening the NAFTA to rectify some of its shortcomings, his predecessor George W. Bush had made even more significant strides to progress the relationship between the United States and Mexico beyond a simple FTA during his own bid for the presidency and in the years of his first term. By all accounts, the invitation to expand the relationship was initiated by Vicente Fox, the Mexican presidential candidate at the time. Economist David Lebow and Government Professor Richard Ned Lebow jointly wrote an article on the US-Mexico Relationship during the Bush-Fox era for a book entitled, *The Bush Leadership, the Power of Ideas and the War on Terror* in which they assert that Fox had a lot of advantages in dealing with the United States and its incoming president. They note that Americans were captivated by his fluent English, democratic campaigning style and a surname that sounded more English than Spanish. They also point out the Bush administration had some strong incentives to cooperate with the ascending Mexican leader. After all, having been widely criticized during the 2000 Presidential campaign for his
lack of solid foreign policy credentials, Bush needed a foreign policy success that he could point to, and Mexico seemed to be an easier arena in which to achieve it than in the Middle East or North Korea. Finally, Lebow and Lebow point to the fact that Bush felt some personal ease in dealing with Mexico, given his Texan background and the fact that Vicente Fox was a rancher like himself (MacDonald, Nabers and Patman Eds. 2012, 98). Bush emphasized the importance of the US-Mexico relationship by making his first foreign presidential trip in February 2001 to Vicente Fox’s ranch. Lebow and Lebow indicate, “They hit it off well, swapping stories and comparing cowboy boots” (Ibid.). Fox later commented to the press, “You cannot imagine what a sensation it caused in Mexico when the president of the United States chose our family ranch in Guanajuato for his first foreign state visit” (Russell 2010, 567).

On the occasion of Fox’s first State visit to the United States on September 5, 2001 Bush declared in a public address, “The United States has no more important relationship in the world than our relationship with Mexico” (Ibid., 567). Even the Mexican press acknowledged the moment as the first time a Mexican president been treated so well in the US capital. Analysts note that Fox and his Foreign Minister, Jorge Castaneda, both came away from the visit with exaggerated expectations about Bush’s ability to deliver on all of his promises. Bush seemed genuinely committed to gaining support within the bureaucracy and the US Congress to rectify many issues that the NAFTA had not addressed, including legalization of guest workers, changes in visa policy and greater development aid, a list of goals that would not have been easy to achieve in even the best of circumstances (Hakim 2006, 39-46). On the Mexican side, Lebow and Lebow note that Fox and Castaneda were eager to differentiate their administration around
principles of democracy and also hoped to gain a status in the world that reflected Mexico’s position as the world’s ninth largest economy at that time. They considered Mexico to be the economic bridge between North and Latin America that was in need of reinforcements from the North.

Indeed, the two authors note that Fox and his administration in Mexico “…aspired to transform the North American Free Trade Agreement (NAFTA) into something more like the European Union…” (MacDonald, Nabers and Patman eds. 2012, 98). During an interview for the documentary Commanding Heights: Battle for the World Economy in 2001, Fox said that he sought with the United States a “convergence of our two economies, convergence on the basic and fundamental variables of the economy, convergence on the rates of interest, convergence on the income of people, convergence on salaries.” He acknowledged it could take 20 years or more to achieve, but ultimately indicated the relationship should be more open and similar to the European Union. Coming off of Bush’s visit to Guanajuato, Fox was not the only one who was feeling that change could be possible. Jeffrey Davidow, then US Ambassador to Mexico, indicates that technical discussions on regional integration issues did take place in the wake of the Guanajuato meetings, which he said were led on the US side by Ambassador Mary Ryan. Of the negotiations, Davidow reports that the Mexican side pursued “…legalization for undocumented migrants already in the United States; an expanded temporary worker program; revisions of US visa policies so that Mexicans eligible for green cards could get them faster; funds for economic development in Mexico that would provide alternatives to emigration; and cooperation on safety at the border” (Davidow 2004, 221). He notes the American side was
decidedly less united and less clear in direction than the Mexican side on all of these issues, but generally supported “…an ambitious program to match willing workers with willing employees” (Ibid.). It was simply the case that many of the willing Mexican workers were already living in the United States as undocumented immigrants. As previously noted, this idea formed the basis of President Bush’s public talking points and policy pushes on the immigration issue during his term.

Davidow further notes that discussions on the immigration reform continued at the Ambassador level for months, with the Domestic Policy Council of the White House, led by Karl Rove, emerging as the biggest obstacle on the US side for making progress. Since the DPC’s job was to filter policy recommendations from government agencies and eliminate those that could be damaging to the president from a political standpoint, Rove took issue with granting citizenship to undocumented workers in the United States. Davidow explains, “Karl Rove, who had done much to increase expectation about Republican efforts to attract Hispanic voters, nevertheless calculated that any move that could be portrayed, correctly or not, as legalization of undocumented aliens would alienate the president’s political base” (Davidow 2004, 224). Even in the face of these formidable political challenges, however, talks continued for months well into 2001. Vicente Fox also noted in a book that he wrote to reflect on his presidency, Revolution of Hope, that he and his advisors presented a plan to President Bush and Canadian Prime Minister Jean Chretian, which he felt would move the North American continent towards an economic union similar to the European Union. He indicates the proposal was eventually
rejected by Bush. Fox said he believes Bush was under pressure from White House advisors, like Karl Rove, to “stop raising hackles” about a North American Union (Fox and Allyn 2007, 101).

What ultimately got in the way of the budding rapprochement between the United States and Mexico? Most analysts agree it was the September 11, 2001 terrorist attacks that interrupted the meeting of the minds that was taking some shape between Bush and Fox at the outset of their presidencies and that held some real promise even at lower diplomatic levels to move the relationship beyond what had been achieved through the NAFTA. Most agree that US President Bush was sincere in his attempt to improve relations with Mexico and work constructively on the social issues that had been neglected in the earlier trade round, but further conclude that the political repercussions of the 9/11 attacks and the way they dominated foreign policy during the Bush years prevented the administration from making real progress with its Southern neighbor. Lebow and Lebow point out that in the aftermath of the terrorist attacks, all major foreign policy issues such as the Iraq war and drug interdiction, as well as domestic security and immigration, “…were framed primarily in terms of the rhetoric of US unilateralism, and policies were perceived and evaluated in both the United States and Mexico accordingly” (MacDonald, Nabers and Patman Eds. 2012, 100). They further note that for the rest of the Fox administration, US-Mexican relations never again resumed their pre-9/11 cordiality, as US positions on a variety of topics ranging from the International Criminal Court, to drug trafficking and immigration continually caused strains in the relationship.

There certainly is evidence that the events following the September 11 attacks shifted the focus of the United States considerably to the Middle East and then created additional foreign
policy challenges for Mexico with respect to the Iraq invasion. When US President Bush made the decision to unilaterally invoke the doctrine of preemptive war, historian Phillip Russell indicates that many in Mexico were reminded of prior US interventions in their territory (Russell 2010, 567). He further notes, “The refusal by Mexico, which at the time occupied a non-permanent seat on the United Nations Security Council, to endorse the US invasion of Iraq was seen as a betrayal by the Bush Administration” (Ibid.). Latin American scholars, Michael LaRosa and Frank Mora write in a book they edited, Neighborly Adversaries: Readings in US-Latin American Relations, that after Fox failed to support US military interventions in Iraq, “…President Bush refused to take Mexican President Vicente Fox’s phone calls and pointedly declined to reopen the promising discussions initiated with Mexico on immigration reform” (LaRosa and Mora eds. 2006, 323). This disagreement effectively diminished any ideas that President Fox and his administration had been generating about a means to achieve greater equity and equality between Mexican and American workers.

Former Ambassador to Mexico Jeffrey Davidow agrees that September 11 was a pivotal moment in the scope of US-Mexico relations that certainly impacted a developing conversation between the two countries about increasing cooperation on immigration reform, in particular. He notes that in the aftermath of the attacks, US attitudes about foreigners and borders darkened considerably, and thus inevitably impacted the budding talks and proposals that would have brought the two countries together more on issues of common concern. However, he feels that it also simply became “conventional wisdom” amongst politicians in Washington, DC and Mexico City to assert that the two governments might have reached an understanding on immigration
reform if the terrorists had not struck. In his view though, that is not a truly accurate reflection of the likely possibilities that were emerging at the time in the wake of the Bush’s visit to Fox’s ranch. First, he says, “The Bush team had realized soon after Guanajuato that it had stumbled into a political minefield” (Davidow 2004, 230). He asserts that Bush’s hotly contested election in 2000 caused the White House staff, Rove in particular, to feel it did not have the political capital to alienate the party base and develop, “a dramatic new plan on immigration” (Ibid.). While Bush wanted to befriend Fox and be helpful to the Mexican government when he came into office, Davidow says, “the new administration in Washington did little serious analysis of the issues before making the commitment” (Ibid., 216). Additionally, very little consideration was given during the State visits between the two presidents to the real possibilities of success in an area that has historically been rather complicated and politically volatile. In the end, Davidow notes that discussions on immigration reform did continue at diplomatic levels between the countries for years after September 11 between the two governments, but ultimately got bogged down by politics and the rather complex and arcane nature of US immigration policies. Davidow’s nuanced analysis of the situation seems the most likely to be an accurate account, especially in light of the fact that the three governments ended up forging a publicly visible Security and Prosperity Partnership (SPP) in 2005 with the stated purpose of providing greater cooperation on security and economic issues. The SPP had a variety of working groups that shared information on a range of policy issues, including immigration reform, until 2009 when the group became inactive.
Presidents Bush and Fox ultimately did try to move the US-Mexico relationship forward beyond the NAFTA by launching these historically significant and unusual diplomatic exercises on immigration. In doing so, they signaled a newly cooperative approach to immigration where, for the first time, the two governments acknowledged the issue as a shared problem and accepted shared responsibilities for making it orderly, humane and legal. While these general principles were admirable, the high-level commission tasked with bringing them to life was unsuccessful. The mobility of the two presidents, who clearly understood that the policies of their respective countries were unproductive and unresponsive to each other’s needs, were ultimately limited by the political straightjackets that they inherited. At the conclusion of his term as Ambassador to Mexico in 2002, Davidow reflected on the possibilities that the United States and Mexico may have again in the future to take up serious discussions about a North American Union:

A US president named Gonzalez? Possible? Yes. A common currency? Open borders? A North American Parliament? A large Spanish-speaking community in Canada? It is too soon to tell. In 1979 a North American Free Trade Agreement seemed impossible to me. The world changes, options develop, the impractical becomes logical, the inconceivable emerges as commonplace. Doors should be left open, not closed. (Davidow 2004, 246)

There are many reasons to agree with Davidow’s assessment. While the European Union may not have a lot of directly applicable parallels to the North American experience, there are a variety of factors that support the belief that a greater level of convergence is both inevitable and advisable. It is inevitable, because that is the direction that current forces – economic, cultural and demographic, are pushing the two countries. It is advisable, because greater integration will bring all three of the countries the benefits of cementing an economic base in the hemisphere,
particularly as it continues to confront greater competition from regional blocs, including the European Union and Asia.

US Turns Its Attention Eastward to Asia

It is an irony to consider that North American cooperation is likely to be catalyzed in the future by a need to compete more effectively with increasingly competitive economic rivals from Asia, especially when one considers the way the United States shifted its commercial focus to China in the post-NAFTA environment, abandoning much of the potential value the agreement had promised with Mexico. Indeed, the rise of China on the global stage since it acceded to the WTO in 2001 has shifted the economic playing field for Mexico in ways that were unanticipated in 1994 when the NAFTA went into effect. In an article on the NAFTA’s impact at the 20th anniversary of its implementation, Carol Wise and Joshua Tuynman comment on the unexpected and massive rise of China, noting “Seemingly out of nowhere, Chinese exports were now burrowing through the more sophisticated sub-sectors of the US electronics market…which Mexico had once claimed as its own. Between 2000 and 2005, Mexico increased its share of US imports by 25 percent, while China’s share of US imports grew by 143 percent. By 2011, 31 percent of all US imports from Mexico were deemed to be under direct threat from Chinese competition in the US market” (Wise and Tuynman 2014, 2). Some actually put the figure much higher, suggesting that closer to half of all Mexico’s exports to the United States and up to 82 percent of Mexico’s “high technology” goods (40 percent of total exports) are under threat of Chinese competition (Zepeda, Wise, and Gallagher 2009, 6-7).
The results are not only astonishing, they are downright confusing for many Mexico scholars. After all, Mexico is an emerging economy in Latin America, right in the backyard of the United States, and approximates well to China’s high level of revealed comparative advantage in the manufacturing sector, largely because of its low labor costs. The difference actually goes back to one of the issues previously mentioned as hampering overall performance in Mexico on overall employment and income measures. Mexico’s manufacturing sector in the post-NAFTA environment has become locked into a position where immediate inputs are often developed in the United States and other advanced economies, shipped to Mexico for processing, and then exported back out of the country. The situation prevents Mexico from effectively moving up the value chain in manufacturing, and ultimately hampers its ability to compete as a powerful manufacturing base. As international development scholars Kevin Gallagher and Mehdi Shafaeddin neatly summarize, “Mexico has become plagued by a lack of linkages between foreign firms and the domestic economy, painfully low levels of technological capacity building, low valued added in exports of the maquiladora sector, an overdependence on the United States as a chief export market, and a lack of competitiveness vis-à-vis China” (Gallagher and Shafaeddin 2009, 7).

As previously noted, while Mexico was able to marshal an export boom with the United States between 1994 and 2000, the expansion never translated into meaningful economic growth. Further, in the way of the 1995 peso crisis, Mexico found itself in a situation where, “…its rapid growth of exports could not be sustained after 2000, the ratio of investment to GDP fell; public investment was cut and domestic private investors hardly responded positively to liberalization”
Meanwhile, in China’s case, the government has been able to leverage a variety of assertive, albeit protectionist, policies including generous state funding in order to develop a homegrown technology base for manufacturing. Gallagher and Shafaeddin argue that these differences in government investments in economic growth between Mexico and China are guided by a key difference in their philosophies about what is necessary for effective economic development. They note that while Mexico’s leadership has pursued a “neoliberal” approach to economic development, which implies more of a “hands-off” approach to the process, in favor of “learning through trading,” and letting the market guide the economy, China’s approach can be considered something they term “neo-development,” which favors “learning by doing” and also favors more government intervention in the market to guide it (Gallagher and Shafaeddin 2009, 2). The authors believe that these philosophies have guided the countries toward two very different approaches to the market, which has in turn made a big difference in their respective growth trajectories. “First, in contrast to Mexico’s rapid opening of markets and integration into the world economy, China has taken a more gradual and experimental approach to integration, upgrading and industrial development. Secondly, alongside reforms, China continued a parallel set of targeted government policies to support and nurture industrial development” (Ibid., 20). The “nurturing” that China’s government provided was clearly to invest in R&D and training for development of its domestic firms and demand technology transfers from foreign ones in exchange for China market access, in order to ensure its own industrial base could move up the value chain with their own products and eventually shift away from the pure export model, as they are in the process of doing now in 2015.
China’s rapid economic rise was instrumental in shifting US attention away from Mexico at a time when Mexico needed it most. Between 1992 and 2007, Mexico’s economy grew at a lackluster rate of 1.6 percent. This was low by Mexican standards, having averaged 3.5 percent growth between 1960 and 1979, but was also low by developing country standards (Zapeda, Wise and Gallagher 2009, 10). As previously noted, the peso crisis also caused global multinational corporations and financiers to lose confidence in Mexico’s governance of its economy, which took much longer to restore than it did for all of the heady investment capital that had flowed into the country in advance of the NAFTA to exit. It was another irony in the relationship, especially given that the crisis was primarily caused by Mexican government “engineering” it to secure US political support for the NAFTA in the first place. By contrast, China with its double-digit growth numbers, fueled by a mixture of authoritarian policies and shadowy accounting, looked a lot more promising to those same large-scale American investors. It is another irony in the history of US-Mexico relations, particularly as the themes of stabilizing democracy in the country and ensuring neoliberal policies were locked in there had been the rhetoric that was most often used by the US government and corporate backers of the NAFTA. After all of the grand talk by politicians on pulpits throughout the nation about the promising future that could be secured in Mexico, American politicians and investors very easily abandoned it in favor of supporting nations with authoritarian dictatorships, as long as they generated strong returns on investment.

Of course, like all things in the political economy, the landscape seems to be shifting once again in 2015, with Mexico making a strong economic comeback against China, and
garnering renewed attention from US investors and multinational corporations. While US foreign policy still centers around the Asia-Pacific region today, as part of President Obama’s “strategic pivot” to ensure Asia becomes a “peaceful, stable and economically prosperous region” (Campbell and Andrews 2013, 3), Mexico has gradually improved its standing with global capitalists, as its labor costs and wage differential pulled even with China’s in 2012 and became cheaper by 2015. In a way, the suffering endured by Mexico’s wage earners over the last 15 years is finally starting to benefit the country’s overall macro-economic figures once again, as China’s laborers have improved their wage rates, and in doing this, have become less attractive to foreign employers and investors. The Boston Consulting Group explains:

In 2000, Mexico’s factory workers earned more than four times as much as Chinese workers. After China’s entry into the WTO in 2001, however, *maquiladora* industrial zones bordering the US suffered a large loss in manufacturing. Now that has changed. By 2010, Chinese workers were earning only two-thirds as much as their Mexican counterparts. By 2015, BCG forecasts that the fully loaded cost of hiring Chinese workers will be 25 percent higher than the cost of using Mexican workers. (Sirkin, Zinser, and Hohner 2011, 12)

As a result of analyses like these hitting the marketplace, Mexico is experiencing a return of some of the investor attention that they expected to receive in the decade following the NAFTA, but lost to lower-cost workers in larger numbers on the other side of the globe. For the United States, economic attention usually translates into increased policy attention. In November 2014, Obama surprised people on both sides of the political spectrum by announcing a major executive action on immigration policy, which would offer temporary legal status to millions of illegal immigrants, along with an indefinite reprieve from deportation. Given the estimated 10-11 million undocumented immigrants in the United States, the action is considerable and has incited
a swift reaction on the part of many Republicans, in particular, ultimately landing it in the court system (Ehrenfreund 2014, 1) to decide the legality of the decision. For his part, Obama made clear that, like the George W. Bush administration before him, he also views current immigration policies to be unfair and unhelpful to people on both sides of the border, and wants to forge closer ties with the Mexican government to ensure legal, safe and humane treatment of migrants. The themes are consistent with those espoused by his Republican predecessor, which means there is some agreement at the highest levels of US government that the immigration situation is unsustainable. The complexities and political challenges remain, however, along with the general inclination to find ways to solve shared political, economic and security issues in the region. Perhaps as the next administration takes over in 2015, the countries will not get distracted from these goals once again.
CONCLUSION: FROM NAFTA TO GREATER REGIONAL COOPERATION

The NAFTA was a significant trade agreement in terms of its ability to reaffirm and bolster economic and investment ties between two relatively large economies on the world stage, and a developing one. The asymmetry of the participants was the most unique and notable aspect of the agreement, although trade specialists argue the document also contains some significant advancements in certain chapters that had not been achieved in prior trade pacts. The agreement has been credited by many notable economists and politicians with positively impacting overall trade volume between the two countries, increasing economic engagement in the region, and taking some initial steps forward on environmental cooperation, another innovative addition to a trade agreement of its day. These achievements are legitimate, as they have actual linkages to the text of the trade agreement, and the terms of trade governed by it.

The fact that critics of the NAFTA have targeted the agreement and deemed it a failure for, at a minimum, failing to prevent the Mexican financial crisis the year the NAFTA was signed, or for not deterring environmental degradation in the region, particularly along the border, or for welcoming in swarms of immigrants and drug traffickers to the United States, indicates the public’s expectations of what ought to have been achieved through the agreement are out of step with the actual design of the treaty. The sharp divergence between public debates about “problems” with Mexico and how they are related or perhaps exacerbated by the NAFTA, which are heating up again in the lead-up to the 2016 US presidential election, is vastly out of step with the trade agreement itself and how it was framed and negotiated. These disconnects have strong roots in the political rhetoric that was used by American and Mexican politicians to
sell the NAFTA agreement to the public, and what their actual intended goals were in forging it. While the powerful political and economic leaders who spearheaded the NAFTA often spoke to the general public about issues like creating jobs, building a supportive community in the region to compete more effectively with the rest of the world, and shoring up democracy in North America, the agreement was actually crafted to eliminate tariff barriers and thus facilitate greater market access for exporters in each country that were well-resourced enough to engage in the complexities of international commerce. The hope was that by giving large multinational corporations and financial institutions in each country the ability to compete with each other head-to-head in the region and invest in each other’s territories more easily that this activity would bolster the overall economy in the region and eventually translate into improved working opportunities for the labor sector.

It was thus a trickle-down economic philosophy that ignored basic realities regarding the asymmetries of the competitors in the United States and Mexico, and the painful adjustment process that would take place in the wake of new and increased competition, particularly for a developing nation like Mexico with a far less mature entrepreneurial community. One report on the NAFTA developed by the Carnegie Endowment for International Peace describes:

…while NAFTA’s overall impact may be muddled, for Mexico’s rural households the picture is clear – NAFTA has accelerated Mexico’s transition to a liberalized economy without creating the necessary conditions for the public and private sectors to respond to the economic, social, and environmental shocks of trading with two of the biggest economies in the world. Mexico’s most vulnerable citizens have faced a maelstrom of change beyond their capacity, or that of their government, to control.” (Audley, et al. 2004, 7)
For all the posturing by politicians on what the NAFTA would signify for the future of the North American region and how it would be perceived by the public, Maxwell Cameron and Brian Tomlin describe the way the agreement was actually negotiated behind-the-scenes was purely a market access discussion with a zero-sum approach taken by the participants. Their up-close accounts of the agreement as it was negotiated include passages describing the way US negotiators repeatedly told the Mexicans, “You’re here to buy our market – what are you prepared to pay?” (Cameron and Tomlin 2000, 225). This kind of engagement illuminates some of the basic realities associated with the asymmetries between the two countries: by signing the NAFTA, Mexico would presumably gain access to a massive market of 265 million people with an average per capita income of $27,000; in return the United States would get access to Mexico’s smaller market of slightly over 90 million people and with a per capita income of less than $7,000. Put in that light, it is understandable that US negotiators felt Mexico would have to make some concessions in order to make the deal worthwhile for the American people. Maxwell and Cameron note the Americans would often remind the Mexicans, “You need us more than we need you.” They describe that the United States was often brutal in the negotiating process. One Mexican negotiator is quoted as saying, “Their positions were based on force more than reasoning” (Ibid.). While it is somewhat unfair to presume that asymmetries of power lead inevitably to asymmetrical outcomes in all negotiations, one can reasonably conclude that the overwhelming asymmetries of power between Canada, the United States and Mexico played a major role in shaping the outcome of the NAFTA negotiations. Political theorists like Robert Keohane and Joseph Nye have pointed out that the costs of exclusion in a world of competitive trading blocs can make small countries willing to give up independence rather than risk being
left out of the commercial opportunities, and that seems to aptly capture at least part of the logic Mexico had in its approach to the NAFTA negotiations (Keohane and Nye 2011, 3-32).

Mexico’s willingness to make the market access concessions that it did in the NAFTA make sense only in light of the fact that Salinas and his administration believed they had to continue and stimulate the neoliberal economic agenda that had been developing in the country since the 1940s, and that they had few attractive opportunities at the time to do that. Many analysts suggest that Mexican President Salinas felt that Mexico really only had three choices, given the rise of regionalism in the world economy: remain closed, open the economy unilaterally, or develop a strategy of negotiated liberalization. Although Mexico had joined the GATT in 1986, its efforts to liberalize on a multilateral basis had not provided assurance that it would not be left behind as the world moved toward regional trading blocs with centers of influence in Washington, Bonn, and Tokyo. No longer able to rely on petroleum exports for sustained growth, Mexico’s leaders believed that access to the US market would help them sustain export-led growth in order to generate needed foreign exchange. Mexico was thus open to entering into an accord with more powerful nations because its political leaders were able to redefine its vulnerability in a manner consistent with the new economic model that was outlined by the de la Madrid administration and then further developed Salinas’ government.

According to international political scientist David Mares of Rice University, the new economic model in Mexico, under de la Madrid originally, implied a different understanding of the trade-offs between development and independence (Mares 1987, 803). In the end, Salinas pushed too hard to get the agreement, engineering the Mexican economy and the value of the peso in order to look attractive to the United States, which ultimately resulted in one of the worst
economic crises of the country’s history. The competitive aftermath of the NAFTA put millions of Mexican farmers out of work, causing increased amounts to seek a better future in the United States, and prevented the government from investing in social welfare items like education and healthcare at a time when the split between the wealthy elite of the North and the poor of the South was widening to extreme proportions. All of this happened, but the agreement was done and the neoliberal economic model was locked-in, as well as Mexico’s enduring dependency on the United States. The access that Mexico got to the United States was largely in the form of US multinational corporations (MNC’s) gaining new tariff advantages and investment options. These MNC’s primarily elected to establish physical locations in Mexico to import and assemble materials and export them back to the United States, cutting Mexico’s manufacturing sector off from more significant growth in its overall manufacturing value chain.

While Mexico struggled to regain its financial footing and increase its economic status on the global stage in the wake of the NAFTA and the peso crisis, while also enduring the subsequent challenges caused by the rise of China as a fierce competitor in the global economy, it is staging something of a “comeback” in recent years, according to mainstream American economists like Thomas Friedman. He credits the Mexican government’s focus since 2005 on doubling the number of educational institutions at the high school and University levels, many of which are devoted to science and math education. He quotes a report by UNESCO indicating, “…the number of engineers, architects, and others in disciplines related to manufacturing graduating from Mexican universities has risen from almost 0.4 per 1,000 people in 1999 to more than 0.8 today” (Friedman 2013, 1). Meanwhile, he says the figures from the United States have hovered at 0.6 per 1,000. Much of this new investment was made possible by the Mexican
government focusing for the prior decade on repaying its debts and getting its fiscal house in order. Friedman also points to Mexico’s growing entrepreneurial and venture sectors of the economy, which he notes is driven by a younger generation of Mexicans who refuse to accept that China is taking away their economic opportunities or that their streets are too dangerous for their youth, and have set about leveraging information technology to change some of these things. As Friedman notes, “Monterrey has tens of thousands of poor living in shantytowns. They have been there for decades. What is new, though, is that this city, Mexico’s Silicon Valley, now also has a critical mass of young, confident innovators trying to solve Mexico’s problems, by leveraging technology and globalization” (Ibid.).

As powerful capitalists turn to take another look at the budding Mexican market and mine its potential, the country also starts to get more attention in US policy circles. After being largely absent in foreign policy debates since the 2008 Presidential elections, aside from occasional references to drug concerns and immigration, the Obama Administration is again making immigration reform an issue, culminating in the recent Executive Order that would grant temporary residency to millions of undocumented migrants and also focus US and Mexican attention on forging humane solutions at the border. Skeptics argue that this is merely a political tactic to force an unpopular reaction by the Republicans in the lead-up to the 2016 presidential election cycle.

While the renewed focus on Mexico’s economy and on improving relations with the country by addressing shared social challenges through enhanced policy efforts may ultimately prove to be fleeting once again, it could also be the opening of a window for the two nations to get serious about regional integration matters. The amount of noble rhetoric about our joint
future that started in the lead-up to the NAFTA and has reemerged in the George W Bush era and again in the Obama one could easily fill a volume – not necessarily one that anyone would want to read, but a volume nevertheless. That said, when assessing the grand political promises of the NAFTA with the actual results in the aftermath of the agreement, words and pledges, if not backed up by conscientious effort, lead to little actual change. By now, numerous studies and commissions have made endless recommendations on how to improve the regional economic relationship in ways that are mutually beneficial.

Some suggestions are simply impractical, as they are either too complicated or well beyond the scope of what the current political context might allow for the countries to achieve. However, other suggestions do make sense and are within the realm of practical achievement. In addition to the action President Obama recently took on immigration, it is time that the United States acknowledged itself as service economy that is heavily dependent on foreign labor and thus move to raise the currently unrealistic numerical caps on non-agricultural temporary workers. The United States can also make the current program for temporary agricultural workers less onerous for employers and more attractive to workers. The two countries could also state as a policy goal the creation of a Customs Union with common external tariffs, which would begin with industry-wide agreements. The iron and steel sectors are likely candidates for an initial agreement, as they are both mature and under great economic pressure from other regions in the world. They might also consider creating a financial stabilization fund with contributions from the three governments to be drawn upon in case of serious exchange rate fluctuations in the future. Proposals to jointly plan and fund international highways, border crossing points and ports are also promising and worth considering. In addition, plans to develop
a North American electrical grid and facilitate the permitting procedures for cross-border electricity lines and gas and oil pipelines in a manner similar to what the European Union does would also make a lot of economic sense for both sides.

Most of these steps would require legislation in each of the countries and some may benefit Mexico more than the other two and thus could be challenged by US and Canadian opponents as charity programs. Others would require ceding some degree of national sovereignty, which was precious to each country in the lead-up to the NAFTA and would easily be attacked today by foes waving the bloody banners of nationalism. What is absolutely clear is that the governments would have to acknowledge collectively that putting resources toward building bridges to integration rather than siphoning billions to the creation of walls and their defenses, is ultimately in the better economic and security interests of the region. This is a commitment that has so far not extended beyond rhetoric. Mexico seems to have done its part in getting its economic house back in order, increasing its competitiveness in the global market and using its resources more productively. It seems time for the US and Canada to make some meaningful changes and concessions to help achieve some of the promises that were made in the NAFTA era, but that were not lived up to.

The signing of the NAFTA solidified an era of expanded opportunities for trade and investment across North America. However, important work needs to be done to create a common economic zone and to expand cooperation on trade-related areas, including border and transportation infrastructure, resolving regulatory gaps and inconsistencies that hamper the free flow of goods, and investing jointly in human capital, including through improved labor mobility within the continent. The irony is that open borders will only come into being when the pressure
to cross them decreases. Foreign and domestic investment will flow more powerfully to productive activities only after the causes of stagnation are dealt with. The most important suggestion of all to facilitate greater cooperation in the region, which seems to be inevitable, is for political leaders in North America to offer a unified vision of the future to their citizens. The vision need not be complete in every detail, but it must offer the hope of a future in which the three countries will live their national lives in greater cooperation with their neighbors.
APPENDIX: CHARTS AND GRAPHS

The charts and graphs included in the Appendix illustrate data points applicable to the Thesis text with sources noted below each entry.
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Issues</th>
<th>Who Won Overall?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market access</td>
<td>Protection for import-sensitive products</td>
<td>United States</td>
</tr>
<tr>
<td></td>
<td>Duty drawbacks/deferrals</td>
<td></td>
</tr>
<tr>
<td>Automotive</td>
<td>Export-import ratios</td>
<td>Mexico</td>
</tr>
<tr>
<td></td>
<td>Domestic content</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Emissions standards for Mexican-produced U.S. cars</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tariff phase-out</td>
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</tr>
<tr>
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<td>Mexico</td>
</tr>
<tr>
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<td></td>
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Source: Sylvia Maxfield and Adam Shapiro,
University Park, Pa: The Pennsylvania State University Press, p. 84

193
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<th>2007</th>
<th>Percent Change</th>
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<td>Family*</td>
<td>8,370,879</td>
<td>3,510,394</td>
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<td>Remunerated Total</td>
<td>2,305,432</td>
<td>5,139,703</td>
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<td>- Permanent (more than 6 months)</td>
<td>427,337</td>
<td>420,989</td>
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<tr>
<td>- Seasonal (less than 6 months)</td>
<td>1,878,095</td>
<td>4,718,804</td>
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<tr>
<td>Total</td>
<td>10,676,311</td>
<td>8,650,187</td>
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Source: Adapted from Table 1 in Scott (2010) p. 76.

* Family and other workers who are not paid in cash are sometimes listed as "non-remunerated."
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FIGURE II
Mexico and the US: Annual GDP Growth

Source: IMF (2013a).
Figure 2. Gini coefficient and gap (yellow point) between richest and poorest 10 percent, 2010.

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