



**NAFTA in the New Millennium**

*Edward J. Chambers and Peter H. Smith, comps.*

The University of Alberta Press/Center  
for U.S.-Mexican Studies

University of California, San Diego

La Jolla, California, 2002, 504 pp.

This book brings together 21 contributions by 30 specialists, most academics in the fields of economics, political science, sociology and international relations with experience in studies linked to the North American Free Trade Agreement (NAFTA).

The book's title illustrates the compilers' intention of trying to bring together different disciplinary focuses and studies of specific issues that, on the one hand, review and analyze the impact of NAFTA on the three countries since it

came into effect, and, on the other hand, particularly to try to delineate an agenda for the present and future of the treaty based on that experience. This overall division is well balanced, as are the issues dealt with. The book is divided into five sections: three sections, 214 pages and nine articles long, evaluate the impact of NAFTA, and two, 11 chapters and 258 pages long, look at perspectives.

The introduction is a broad overview by compilers Chambers and Smith situating the theme very well and proposing the overall lines of analysis that the other articles work with. The initial idea, shared by several of the authors, is that eight years after the treaty came into effect, particular experiences should be seen as collective lessons and be useful for a vision of the future, as a guide to deepen, reform or broaden it. The compilers do note, however, that no thought is being given to the possibility of renegotiating the treaty, but rather, to seeking a better way of fulfilling the initial aims of regional integration and, in any case, evaluating the possibility of extending it to build a Free Trade Area of the Americas (FTAA).

The introduction includes a description of the treaty, the context in which it was created, the motivations of the main negotiators and some of the most important critiques of it. This all makes up a highly illustrative and well documented whole. In the section dedicated to showing the effects of the treaty, an outstanding feature is the changes in trade trends of the United States, Canada and Mexico and among the three. Naturally, not all trade expansion can be attributed to the treaty and the authors say this. Clear trends can be identified, however, showing greater trade from 1994 on, particularly between Mexico and the United States and Canada and the United States, as well as higher U.S. investment in Mexico in the same period. Also important to note is the non-convergence of the levels and rates of production growth, national income, income per capita and wages, with the largest gap between those of the United States and Mexico.

Perhaps one missing element in the practically complete analysis presented in the introduction is that one of the treaty's main aims, generating jobs in Mexico to stop the flow of migration to the United States, has not been fulfilled even in the years of highest export growth. Legal and illegal workers continue to try to enter the United States in large numbers every day, worsening the social problems that have existed for a long time between both nations along the border. This aspect is, however, analyzed in Chapter 12, by Wayne

Cornelius. Thus, while the different options for the future are appropriately touched on at the end of the introduction, none of them clearly includes the need and urgency of implementing a migratory agreement that would legalize the flow—which continues in any case—and complete the final aim of integrating the United States and Mexico.

Another issue that should be mentioned is the compilers' opinion about the treaty's defenders and critics in Mexico: in their opinion, they are one and the same, leading us to understand, perhaps, that even the most pessimistic find something positive in the treaty and, in the end, defend it. I do not consider this opinion completely well founded. On the one hand, truly academic specialists must look at the negative and positive aspects of NAFTA with equal zeal, regardless of their preferences. On the other hand, serious work has been published that is very critical of the treaty and the economic opening in Mexico, work that cannot be overlooked. With regard to the population as a whole, the evidence presented by Alejandro Moreno in Chapter 7 to the effect that the majority of the population in Mexico favors free trade in general and the treaty in particular is very questionable; the truth is that, in Mexico, recent mobilizations against NAFTA due to the problems in agriculture are a clear sign against it, at least among the very large rural, peasant sector of society.

In the first section, three chapters are dedicated to answering the question of what the impact of NAFTA has been on the economies of its three member countries. In the first chapter, Raúl Hinojosa and Robert McCleery analyze the effects on the U.S. economy in its relationship with Mexico and find no evidence of changes in trade trends, investment and production before and after the treaty. In the second chapter, José Luis Valdés-Ugalde evaluates the treaty's impact on the Mexican economy from the sectoral point of view and finds both negative and positive effects. Among the former are the breakdown of internal manufacturing productive chains. In the third chapter, Kenneth Norrie and Douglas Owram question from the Canadian point of view whether there should have been a process of trade liberalization in North America and then analyze its effects in Canada. They find that these effects have been surpassed by macroeconomic policies and low productivity.

The second section includes three chapters that study the impacts of NAFTA on a state or provincial level in each country, a topic not previously examined elsewhere. Edward Chambers analyzes the treaty's impact on trade in Alberta

and British Columbia, Canada, with contrasting results. Carlos Alba studies the treaty's political and economic impact in the state of Jalisco, Mexico, which in general has been favorable. James B. Gerber appraises the cases of Texas and California in the United States, finding that the treaty has given rise to export-led growth in both cases, above all in the high-tech sector.

The third section has three chapters dedicated to analyzing the public response to the treaty in each of the member countries. Alejandro Moreno studies the case of Mexico based on a national newspaper's three-stage survey of 1,600 adults; the majority is in favor of free trade and NAFTA, but opinions are severely divided with regard to the benefits actually obtained from the treaty. According to the article by Nevitte, Anderson and Brym, in Canada there is skepticism about NAFTA, but at the same time the desire to establish strong ties with Mexico and particularly with the United States. It should be noted that the authors find that in Canada, national pride continues to be strong, but that, nevertheless, at the same time there is a desire to increasingly integrate into the United States. In the last chapter of this section, Phillip Warf and Steven Kull examine Americans' attitudes toward the treaty, finding that a vast majority believe that free trade and U.S. trade agreements with other countries are beneficial. In particular, a majority—though not a very large majority—supports NAFTA, but a great deal of skepticism also exists.

The fourth section has five chapters, which look at the issues and challenges for the treaty in the next 10 years. Graciela Bensusán examines employment, wages and productivity in the manufacturing sector of the three countries since NAFTA came into effect. She finds that productivity has grown relatively more in Mexico, that employment has not grown in any of the countries as had been hoped, and that wages have increased in Canada and the United States, while dropping in Mexico, thus widening the gap. Policies and regulations in Mexico and the United States have not converged, an issue, therefore, which will be present in the immediate future of the treaty's agenda. In the following chapter, Debra Davidson and Ross Mitchell confront the delicate problem of the environment and NAFTA, with the novel focus of asking not what the effect of the treaty has been on the environment, but what the effect of the environment and social movement activities will be on the future of the treaty. Thus, the treaty can become a forum for discussing environmental protection measures, and its

economic viability will depend on its success in preserving the environment and reducing pollution. Chapter 12 is very important: Wayne Cornelius analyzes NAFTA's impact on migratory flows from Mexico to the United States. Studying immigration trends, Cornelius finds that they have not only not decreased, but that they have increased since the treaty came into effect. The short-term prospect of a migratory agreement between the two countries that would regulate this situation was suddenly cancelled after September 11, 2001. The issue was taken off the diplomatic agenda at that time, but continues to be an unresolved matter on the treaty's agenda. In the following chapter, Michele M. Veeman and Ryan Hoskins look at agriculture, pointing to the fact that this sector only accounts for 6 percent of the total labor force in the region and that some branches of it have been sharply affected while others continue to be somewhat protected in the United States and Canada. From the consumer's viewpoint, the net result of trade in agricultural products among the three signatory countries seems to be highly beneficial. The noticeable adverse effect is the destabilization of the *ejido* in Mexico as a result of corn imports.<sup>1</sup> Chapter 14 is dedicated to a little noted problem that is an obstacle to complete integration: the restrictions on transportation that delay the delivery of traded products and hike up costs. The authors conclude that given that the transport of goods among the three countries is mainly by land, roads must be improved, competitiveness among transport companies increased and state and provincial regulations revamped.

The final section contains six chapters dedicated to the prospects for long-term institutional development for NAFTA. In the section's first chapter (the book's fifteenth), Rolf Mirus and Natliya Rylska look into the possibilities of the treaty's institutional evolution on a broad range of alternative institutional arrangements. In particular, they compare the current situation of a free trade agreement, in which each country maintains its own tariff structure vis-à-vis non-member countries, with a customs union, in which a common tariff structure is established to deal with trade with non-member nations. The conclusion of their analysis is that the customs union would be the best way for NAFTA to evolve, but that it requires strong political leadership because of the need to coordinate policy. In chapter 16, Constance Smith explores the different possibilities for monetary coordination, looking at a range of options that go from maintaining the current state of affairs with individual currencies and exchange rate schemes in each member country to dollariza-

tion, based on the U.S. dollar. The risk of losing political sovereignty means that each country has its reservations about the audacious options in this matter, which is why more moderate monetary coordination is to be expected. In his article, Robert A. Pastor posits that the treaty's potentiality and viability is being limited by important social disparities among the three countries, particularly between Mexico and the other two, and even inside Mexico itself. The success of what the European Union has done so far to reduce disparities among countries through public policy leads Pastor to think about the creation of a fund for North American development that would correct this situation in the long run. In the following chapter, Antonio Ortiz Mena L.N. Analyzes the results of NAFTA's dispute settlement mechanisms and puts forward the changes that should be introduced in the future. In his opinion, these institutions should complement the World Trade Organization and the proposed Free Trade Area of the Americas. From a different perspective, Linda E. Reif examines the same question, concluding that the number of organizations

that treaty signatories belong to gives them the possibility of putting forward their disputes in several fora depending on which one is the most favorable, thus complicating the settlement process. Chapter 20 closes the section and the book and refers to the prospect that NAFTA can become the FTAA. Peter H. Smith, one of the book's two compilers, analyzes the different responses of the countries involved, concluding that while the FTAA initiative has to be promoted by the United States, it can only be achieved if Latin American countries' concerns about including the problems of inequality and poverty are addressed as aims of any agreement reached.

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#### NOTES

<sup>1</sup> The *ejido* is an agricultural production unit divided into relatively small, peasant-owned plots. Its economic viability has been the subject of many discussions and debates. [Editor's Note.]