

# Reflections on the NAFTA

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**A**lthough relations between Mexico and the United States have occasionally been strained, they are presently at a peak of cordiality as reflected by current negotiations for a Free Trade Agreement encompassing the entire North American continent.

The signing of the agreement will be unprecedented in the history of two countries sharing a common border more than 3,000 km long.

The FTA is justifiable on the grounds that it will encourage more trade among the three signatories. Since Canada and Mexico are already the United States' two most important trading-partners, the FTA will serve to intensify their existing trade relations.

At the same time, the FTA is a logical response to the emergence of other powerful economic blocs, such as the EEC and ASEAN.



*Two views of the INS fence along the US-Mexican border... the antithesis of free trade.*



The strengthening of regional economic arrangements, such as North America's, is a logical and advisable response to globalization of the world economy, and the rapid improvement of transport and communications.

Contrary to appearances, the governments of the three countries will not in fact be the prime beneficiaries of the Agreement. They will merely propose, negotiate and sign the documents, the real beneficiaries being productive private initiative in each country. Industrialists, agriculturists, service sector entrepreneurs and merchants will have to fight for the benefits of an expanded market or suffer the consequences of greater competition.

Hence, every sector and branch of private enterprise must be directly

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## HIGHLIGHTS OF SEVEN YEARS OF FREE TRADE NEGOTIATIONS

### March 1985

U.S. President Ronald Reagan and Canadian Prime Minister Brian Mulroney meet. They agree to request their respective ministers to explore the possibilities for reducing and eliminating trade barriers.

### September 1985

President Reagan and Prime Minister Mulroney exchange letters of resolution to negotiate a Free Trade Agreement (FTA).

### October 1987

U.S. and Canadian negotiators sign a draft of the Agreement.

### December 1987

The heads of both delegations ratify the text of the Agreement. The final version is sent to the U.S. Congress and the Canadian Parliament.

### January 1989

The FTA between the U.S. and Canada goes into effect.

### March 1990

The Wall Street Journal publishes an article asserting that Mexico and the United States have agreed to initiate negotiations to develop a Free Trade Agreement.

### April 1990

The Mexican Senate establishes a forum for consultations on the FTA.

### June 1990

The U.S. Senate opens hearings on a "fast track" bill that would allow President George Bush to negotiate directly with President Carlos Salinas. Both Presidents issue a joint communiqué announcing their intention to negotiate an FTA, and instructing their respective trade representatives to explore the possibilities.

### August 1990

The Mexican Secretary of Commerce and the U.S. Trade representative meet and issue a joint recommendation to President George Bush, urging that the U.S. and the Mexican President initiate FTA negotiations.

### September 1990

President Carlos Salinas appoints an Advisory Committee for FTA negotiations and informs President George Bush that Mexico intends to sign a Free Trade Agreement. President Bush sends a bill to Congress to open negotiations. Canada expresses its desire to join the largest trade bloc in the world.

### February 1991

President Salinas, President Bush and Prime Minister Mulroney agree to start trilateral negotiations for a North American FTA.

### May 1991

The U.S. House of Representatives votes in favor (231 to 192) of approving the "fast track" for negotiating the FTA with Mexico. The U.S. Senate also approves the motion (59 to 36) to give President Bush the authority to negotiate.

### June 1991

Trilateral negotiations between Canada, Mexico and the U.S. open in Toronto, Canada. The issues discussed include access to markets, trade regulations, investment, technology transfer, services and settlement of disputes.

### August 1991

The Ministers of Commerce of the three countries meet for a second time in Seattle, Washington. They agree on a gradual reduction of tariffs, to be carried out in three stages, on all products to be imported and exported between the three countries. They resolve to make an in-depth analysis of the restrictions on government purchases in the three nations. In addition, a working group is created to strengthen the Mexican assembly plant program. The governors of the fifty U.S. states express their support for the negotiations.

### October 1991

The Ministers of Commerce of the three countries meet for a third time in Zacatecas, Mexico. The meeting is attended by U.S. negotiator Carla Hills, Canadian Minister of Commerce Michael Wilson, and Mexican Secretary of Commerce Jaime Serra Puche, along with their respective negotiating teams. They review the progress of the working groups assigned to each of the nineteen

major sections of the agreement and call for a draft by January of 1992. They agree to approach labor and the environment as parallel issues, but not to include them in the text of the agreement.

### February 1992

The Presidents of the United States and Mexico, George Bush and Carlos Salinas de Gortari, meet in San Antonio, Texas, to discuss progress at the 7th plenary negotiating session, held at Dallas. Progress was reported by 8 of the 18 working groups. Differences persist in such key areas as energy, agriculture and the automotive industry.

### March 1992

Agreement on 14 subjects in the general text sought at meetings held in Mexico, Canada and the US. Joint declaration, by the three chiefs of state, after a telephone conference call on May 17th, to the effect that negotiations are proceeding as planned. 23-27, 8th plenary meeting with chiefs of negotiating teams Julius Katz, US, Herminio Blanco, Mexico, and John Weeks, Canada. Note taken of points pending and of those settled.

### April 1992

6-8, Trade representatives Jaime Serra Puche, Mexico, Michael Wilson, Canada, and Carla Hills, US, join in 5th ministerial meeting in Montreal to discuss and eliminate differences in the key areas of energy, agriculture and livestock, automotive products and conflict resolution, as a step toward the final phase of negotiations. 27-May 1, 9th Plenary Meeting with chiefs of negotiating teams. Progress is made on energy, automotive products and agriculture, nevertheless differences remain.

### May 1992

10th Plenary Meeting in Toronto. Most working groups are closed, leaving only energy, rules of origin, and agriculture and livestock pending. It is reported that high level political decisions will be required to surmount the obstacles remaining in these chapters. It is rumored that the US and Mexico may sign a bilateral agreement on agriculture in view of Canadian insistence on maintaining current marketing systems for agricultural products. The automotive sector is reported to be almost concluded.

involved in FTA negotiations to present and defend the special concerns of its area. If this does not happen, it may produce negative results and become the source of future conflicts that will then be hard to resolve.

An agreement of this scope and importance must reconcile the interests of all the sectors involved, beforehand.

### Advantages and disadvantages for Mexico

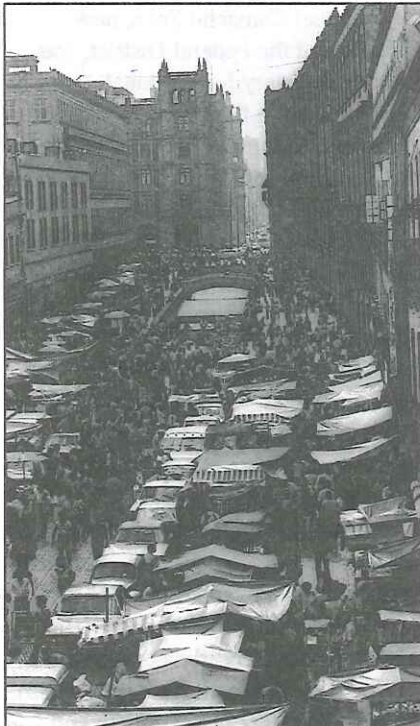
First and foremost, NAFTA will create the largest market in the world, one whose 360 million potential customers exceed those of the European Common Market, although the latter's overall higher standards of living mean that the EEC bloc draws on greater purchasing power.

In any event, the North American market will provide Mexican entrepreneurs with a broader range of outlets for their products and services, which may be a strong catalyst for the nation's economy.



*Depressed living conditions in an eroded hill in Mexico.*

José Gómez de León/Imagenlatina.



Marco A. Cruz/Imagenlatina.

*Street stalls in an open air market in Mexico City.*

However, the fact that two far more industrially developed countries than Mexico will be competing for their share of the Mexican market is a threat to Mexican producers, particularly those with small or medium-sized businesses, which run the risk of being sidelined or disappearing.

The challenge of the FTA has compelled Mexican private enterprise to make preparations in numerous areas, such as how to achieve greater productivity, improve quality control and even demand impeccable quality, streamline production costs and improve and expand distribution.

As a result, training has become increasingly important in Mexico, which is in itself a considerable advantage. Firms are modernizing their administrative systems, all the way to the highest executive level, to provide support for decision-making and strategy planning. All this will ideally

bring about changes in attitude, producing a more efficient and dynamic private sector, able to successfully meet its commitments under the FTA.

The negotiations underway also require a change of attitude on the part of US entrepreneurs and the authorities representing them, toward competing Mexican products that are often unfairly excluded by both tariff and non-tariff barriers.

A case in point is the so-called "tuna embargo" which arbitrarily harms Mexico's economy by protecting American interests under the environmental pretext of protecting dolphins.

If the benefits and risks of a frank liberalization of trade are to be shared, we should begin by dealing fairly. Only then will Alvin Toffler's dictum that the FTA will "be a shot of adrenaline" for the trilateral relationship between Mexico, Canada and the United States become a reality **M**