Problems and challenges facing NAFTA

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U.S.- Mexican relations in the post-Cold War era

The post-Cold War era is many things to many people. But what it certainly is not is the end of history, as some have suggested —either in a sophisticated vein (such as the views put forward by the current led by Francis Fukuyama)[1] or through a rather simplistic approach (like that of George Bush, for instance).

Instead, the post-Cold War era is the beginning of a new and more challenging history. It is the eruption of both old and new conflicts as well as a unique opportunity to advance the most crucial interests of mankind. In philosophical terms, it is a double-edged turning point of history: either the prelude to a big step towards Kant's "perpetual peace," or the antechamber to another chapter of the "jungle-type world" envisioned by Hobbes.

Further, and as a matter of common sense, the post-Cold War era demands a new way of thinking —one which, leaving behind all dogmas, gives way to new ideas, new behaviors and —why not?— even new utopias. None of this means forgetting history. On the contrary, if the new thinking is to be solid and creative, it has to be rooted in the best chapters of history.

The U.S. and Mexico face a unique challenge today: to demonstrate that the North-South conflict can be resolved. Not solved according to repressive theories of conflict, but rather through techniques which help eradicate structural violence, leading towards a positive peace —techniques like those promoted by Johann Galtung and the "Peace-Solution Movement" as a whole.

Of course, this challenge is no small potatoes. Nor is it a piece of cake. Now that the socialist world has collapsed, the East-West conflict is yielding the stage to North-South conflict. From the Persian Gulf War to the tragedy of Somalia, from the invasion of Panama to the tragedy of Haiti, it is clear that the relations between the rich and poor, powerful and powerless, developed and underdeveloped nations will be the defining relations of a new world order, if indeed such an order is to come about in the near future.

If the North-South conflict is creatively solved, we will be able to say that the post-Cold War era finally put an end to the historic, worldwide crisis we have been living through. This crisis might be summed up in a terrible paradox: although a good many people seemed to find the door to paradise in socialism, that system collapsed; yet while that door seemed to lead back to a primitive form of capitalism —capitalism *à la* Reagan-Thatcher-Bush— these ideologues are all gone now too, together with the dogmas they espoused —dogmas as old as Adam Smith himself.

Accordingly, if the U.S. and Mexico are to succeed in the face of such a formidable challenge, many things need to change. First of all, there must be a new way of thinking about both nations, including the interaction between them and their role in the world.

In a nutshell —in line with a consensus that might well range from Octavio Paz to Carlos Fuentes— Mexico has to stop blaming all its calamities on the U.S. If Mexicans are to escape at last from their "labyrinth of solitude," they have to stop regarding the U.S. purely as an "old gringo." Metaphors aside, Mexicans have to start assuming their own responsibility for their country's backwardness. In line with this, they should start regarding the U.S. as something more than a monolithic fortress of imperialism.

In turn, the U.S. should stop regarding Mexico simply as its own backyard. Or, what amounts to the same thing, as an endless subsidiary of American wealth —be it subsidies through cheap oil and lucrative *maquiladoras*, or even home-delivery subsidies, such as the *bracero* workforce. Not to mention such stigmas as portraying Mexico as a huge nest of laziness and corruption and even the main culprit for U.S. problems, such as drugs, unemployment or overpopulation.

Peter Smith has put it in a remarkable way: in the long run, the "U.S. has a lot to win from a prosperous and independent Mexico, and much to lose from a weak and subordinated neighbor."[2] Yet this is far from a new discovery. Similar points have been made at least since the days of Franklin D. Roosevelt —even, if you will,

[1] Fukuyama's article "The end of history?" (*The National Interest* No. 16, Summer, 1989) became a sort of best-seller in Mexico and other Latin American countries.

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[2] Peter H. Smith, "México y Estados Unidos. Vecinos incómodos" in *Nexos* No. 115, Mexico City, July, 1987, p. 41.

since the days when Abraham Lincoln gave moral support to Benito Juárez.

Having cited the need for new thinking as the first challenge —or the old thinking as the first problem— let us review the key aspects of reality which have nurtured, and continue to nurture, both kinds of thinking.

The main problem: disparities; the key challenge: equalization

Mexicans are fond of saying that nothing is like Mexico. An extreme application of this saying might be found in the traditional excuse for the Mexican government's refusal to join the Non-Aligned Movement: Mexico is so unique that it does not align itself with anybody, not even the Non-Aligned countries.

For their part, Americans love to think of their country as so unique that it is predestined to spread its culture (including its democracy and, of course, its power) all over the world.

If both conceptions were true, there would be little room for improvement. As long as the U.S. keeps on insisting on telling every country how to behave, Mexico will keep on regarding the U.S. as the closest and foremost threat to its uniqueness, not to mention its sovereignty.

Fortunately, these conceptions are not true or, at most, are half-truths. Above and beyond all their peculiarities, neither the U.S. nor Mexico can escape from the cardinal challenge of today's world, namely the North-South conflict.

Moreover, the two countries have leading roles in this play. Rhetoric aside, Mexico is still part of the so-called Third World and, if you will, at the front line of the border with the industrialized world. On the other hand, regardless of "declinism" theories (as espoused by Paul Kennedy *et al.*), the U.S. is still a paramount representative of the northern nations.

Thus, if increasing disparities lie at the core of the North-South conflict, the only way to deny that this breach is the key problem in U.S.-Mexican relations is to assert a false uniqueness.

The North-South gap is confirmed time and again by the reports of the Economic and Social Council of the United Nations as well as by reports of the World Bank. Not surprisingly, the disparities between the U.S. and Mexico continue to grow as well —not only in economic matters, but also in their social and political by-products.

Elsewhere we have elaborated on this point.[3] Suffice it to recall a handful of indicators. According to recent data from the U.S. Department of Commerce, the gross domestic product (GDP) of the U.S. approaches 6,000 billion dollars, whereas the Mexican GDP barely reaches 300 billion.

The average hourly wage in the manufacturing industry —the key industry of any modern economy— is $14.77 dollars in the U.S. and only $1.80 dollars in Mexico. The official literacy rate is 99% in the former and 87% in the latter, while infant mortality is 10 and 29 out of 1,000 respectively.

More importantly, such disparities tend to grow as the relations between the U.S. and Mexico increase. This fact in itself speaks eloquently to the existence of deep problems in the relationship, which is corroded by the cancer of inequality.

From 1980 to 1989 —i.e., during the period when Mexico began to open economically to the U.S., under the Mexican counterpart of Reaganomics— the size differential between the two economies changed from a ratio of 16 to 1 to a ratio of 27 to 1. At the same time, the differential in per capita income increased from 6:1 to 10:1.[4] A similar trend has been seen in the wage differential —whereas the ratio of compensation (wages and benefits) between the two countries was about 3 to 1 in 1980, it is nearly 10 to 1 in 1993.[5] Yet bridging this wage gap is the highest priority task of all.

As for political byproducts of U.S.-Mexico disparities, suffice it to say that the power of the U.S. has increased to the point that it considers itself to be the only remaining superpower. In sharp contrast, the sharp decline of Mexican sovereignty has become a major complaint by the opposition —even prominent leaders of the conservative PAN, such as José Angel Conchello,[6] not to speak of Cuauhtémoc Cárdenas and the PRD.

In fact, the increasing erosion of Mexican sovereignty has already led to the formation of new organizations like the National Patriotic Front (Frente Patriótico Nacional), and the Mexican Network for Action on NAFTA. Together with the demand for more democracy, it is one of the key issues fueling efforts to build a new coalition backing the 1994 presidential bid of Cuauhtémoc Cárdenas —a campaign which organizers hope will proceed without the failures and electoral transgressions of 1988.

[3] Most recently, in "México ante la integración de Norteamérica: entre la democracia y el vasallaje," essay published in Benito Rey Romay (editor), *La integración comercial de México a Estados Unidos y Canadá. ¿Alternativa o destino?* Siglo XXI-UNAM (IIEc), Mexico City, 1992, pp. 344-370.

[4] To avoid any suspicion of bias, we chose these data from an authorized source from the current Mexican government: Minister of Foreign Relations Fernando Solana's widely-publicized inaugural speech at the Fifth Conference of ALADI (Asociación Latinoamericana de Integración), Mexico City, April 30, 1990.

[5] AFL-CIO, "Labor rights and standards and NAFTA" (discussion paper), Task Force on Trade, Washington, D.C., February 14, 1993, p. 2.

[6] With a long record as a leader of the Partido Acción Nacional (PAN — National Action Party), Conchello recently published a book harshly criticizing NAFTA, above all as a threat to Mexican sovereignty. See José Angel Conchello, *El TLC: un callejón sin salida*. Editorial Grijalbo, Mexico City, 1992.

Clearly, increasing disparities between the U.S. and Mexico are not only a moral issue but the source of major problems between the two nations. In the long run, these problems will dramatically affect the U.S. itself. Needless to say, for Mexico the inequality breach vis à vis the U.S. is tantamount to being sentenced to perpetual underdevelopment.

The migration issue is the clearest, but far from the only, example. *Bracerismo* continued to be a mixed issue for the U.S. —half problem, half blessing— and a curious relief for Mexico —a security valve against unemployment, albeit one which means losing one of the nation's richest resources. In any case, this remains an explosive issue.

Yet *bracerismo* will continue, and even increase, so long as the wage differential between the two countries remains. Even Mexicans with jobs, including professionals and highly-skilled workers, increasingly emigrate to the U.S. in search of better pay.

By the same token, as long as the flow of braceros continues under present conditions —repressive policies and persistent racism, among other things— we can only expect an upsurge of violence and anti-Mexicanism along the American border.

Movements such as Light Up the Border, and the kind of police brutality witnessed in recent years, may be but a preview. A preview of a movie which, by the next century, might be entitled "The stupid destruction of an otherwise promising relationship."

Something similar might be said about other major problems on the U.S.-Mexican agenda. The drug issue will remain as long as Mexican poverty makes growing narcotics an economic lifesaver for many Mexican peasants. But it shall remain so as well so long as the power differential prevents Mexico from forcing the U.S. government to do its own homework better (i.e., reducing the demand for drugs) and respecting elementary rights of sovereignty, such as freedom from extraterritorial kidnappings of would-be drug dealers (recall the Alvarez Machain affair).

Cross-border pollution is also related —although only partially— to Mexico's lack of resources, as well as to America's power to treat Mexico as a sort of toxic-waste dungheap.

Similarly, Mexican foreign debt will continue to increase as long as Mexico does not find the key to healthy growth. Thanks to the IMF *et al.*, we all know that this kind of debt can easily become an explosive issue of sovereignty as well.

Energy —specifically Mexican oil, that historic bugaboo— will not help fuel a constructive relationship insofar as Mexico lacks other sources of economic self-reliance. In other words, so long as Mexico remains a midget standing next to a giant who is addicted to foreign oil.

To sum up, the present trend towards an increase in the U.S.-Mexico gap could eventually lead to a wide range of calamities, analogous to those stemming from a sado-masochistic relationship. Such calamities range from an eventual explosion of anti-Americanism to the destabilization of Mexico. And everybody knows that the latter is the least desired outcome, both for Mexico and the U.S.

But for the U.S. itself, that is not the only adverse scenario. It is already a cliché that a market depressed by poverty, as the Mexican market certainly still is, is no good for the U.S. —even with the new opportunities attributed to NAFTA. The U.S. faces another, overriding danger, namely its addiction to a false competitiveness based upon Mexican cheap labor, lax environmental standards and, in short, all the distinguishing vices of a *maquiladora* economy. Sooner or later, this addiction could prove to be even worse than drug addiction.

Choosing the easy road of artificial competitiveness, instead of the one based on high-tech jobs, high wages and living standards, civilian-technology innovations and so on, will eventually put the U.S. at the very tail of Europe and Japan. It would put the U.S. in a position closer to the Third World than to the peak of the much-proclaimed all-round world hegemony.

Such a prospect would mean the U.S.-Mexico gap would finally begin to be bridged, but in the worst possible way: dragging the U.S. down towards Mexico rather than pulling Mexico up towards the U.S. In the long run, both countries would end up falling behind many other countries.

We can already observe the first sparks from this false competitiveness. Not long ago, the U.S. had the highest wages in the world, while Mexico was doing a decent job among countries of its size.

Nowadays, after more than a decade of Reaganomics —in both the American and Mexican version— the U.S. has fallen to tenth or fifteenth place, while Mexico is in the running for having the lowest wages in the world. Both countries —albeit with different magnitudes and implications— now excel in topics which used to be peculiar to Third or even Fourth World countries, to wit: foreign debt, trade deficit, urban crisis, crime rates, homelessness and so forth.

NAFTA today: legitimizing the U.S.-Mexico gap?

Up to the present day, no better mechanism than treaties has been invented in order to provide accountability, predictability —in sum, legitimacy— to the relations between countries. But the bottom line is: what are we legitimizing?

Since NAFTA leaves the roots of inequality between Mexico and the U.S. untouched, it can be characterized as anything but a good agreement. Even worse, in the next century this kind of NAFTA might end up being seen as

HIGHLIGHTS OF EIGHT YEARS

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 Bush, urging that the U.S. and the Mexican president initiate FTA negotiations.

September 1990
President Salinas appoints an Advisory Committee for FTA negotiations and informs President 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 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. 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 in Zacatecas, Mexico. They review the progress of the

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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
Presidents Bush and Salinas meet in San Antonio, Texas. Progress is 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 is sought at meetings held in Mexico, Canada and the U.S. Joint declaration, by the three chiefs of state, after a telephone conference call, to the effect that negotiations are proceeding as planned.

April 1992
Trade representatives meet in Montreàl 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.

May 1992
Most working groups are closed, leaving only energy, rules of origin, and agriculture and livestock pending. The automotive sector is reported to be almost concluded.

August 1992
The end of negotiations is formally announced, after 200 meetings between negotiating teams and 7 ministerial sessions. Complete agreement is reached on the agenda's 22 points, and final revision of most chapters already closed is completed. In a three-way telephone conversation, the U.S. and Mexican presidents and the Canadian prime minister express their approval. They issue a message to their respective nations announcing the results of the negotiations.

October 1992
The trade representatives of the three countries "initial" the final legal text of the treaty in San Antonio, Texas. Presidents Bush and Salinas and Prime Minister Mulroney are present as witnesses. It is agreed the NAFTA will enter into force on January 1, 1994, but the date remains subject to two further requirements: its signature by the chiefs of state of the three countries and ratification by their respective congresses.

December 1992
In their respective countries, Presidents Bush and Salinas and Prime Minister Mulroney sign the final NAFTA negotiations.

January 1993
President Salinas and President-elect Clinton meet in Austin, Texas, where they agree that the NAFTA will not be renegotiated.

March 1993
The formal negotiations for agreements running parallel to the NAFTA begin in Washington.

May 1993
Canada's House of Commons approves the text of NAFTA by a vote of 140 to 124. The treaty is turned over to the Senate for consideration.

August 1993
Negotiators for Mexico, Canada and the United States announce the conclusion of NAFTA's parallel agreements on labor and environmental issues, begun in March of this year. Negotiations produce a two-in-one accord. Mexico and the United States decide to apply commercial sanctions in extreme cases of repeated non-compliance with environmental and ecological standards; Canada rejects this mechanism, while agreeing to open its courts to hearing Mexican or U.S. complaints.

the event that propelled U.S.-Mexican relations to the point of a virtual inferno.

It is difficult to find quantitative indicators to make this point; but there are qualitative or privileged references. It is revealing that at the beginning of NAFTA negotiations, the Mexican government insisted on provisions to take into account the countries' unequal stages of development.

The Mexican government demanded preferential treatment due to its backwardness vis à vis Canada and, of course, the U.S. Such preferential treatment could represent a first step towards equalization of Mexico's situation with that of the U.S., but it is far from all that is needed in terms of policy. There are many other steps to be accomplished, as we shall see below.

On the other hand, deep concerns about the current level of U.S.-Mexican disparities could also be heard —but only by those who were listening— from the very summit of the American power structure. It is worth quoting the opinion of the Committee for Economic Development —a prominent think tank sponsored by several huge American corporations, among them ITT, IBM, General Motors, Dow Chemical, Texaco, Citicorp and Chase Manhattan Bank:

> *The obstacles to the negotiation of a formal free trade agreement between the U.S. and Mexico in any short time frame are probably insurmountable. The two countries' levels of economic development are too disparate. Equally important, the politics of such a proposal in both countries, but particularly in Mexico, would be potentially explosive....* [7]

Similar warnings were made by a wide range of institutions: from the *Washington Post* (before its editorial line dramatically changed) and members of Congress like Richard Gephardt and Donald Pease, to the AFL-CIO, Public Citizen and the Sierra Club. They were heard in Mexico as well, although Mexico's shortcomings with regard to democracy made them even less audible.

All these concerns, warnings and judgments notwithstanding, a non-equalizing NAFTA was signed by presidents Bush and Salinas. It is true that the present NAFTA includes some reservations, safeguards and exceptions which entail some sort of special treatment for Mexico.

But it is true as well that the current NAFTA also confers a good deal of reservations, safeguards and exceptions upon the U.S. and Canada. Thus, the special benefits obtained by Mexico tend to be canceled out by those obtained by the U.S. and Canada.

A second problem has to do with the content of the special treatment for Mexico. Basically, it refers to quantity, but not quality —yet qualitative issues must be resolved in order to rebuild U.S.-Mexican relations. The quantities dealt with involve time —longer periods for liberalization of trade barriers— and quantities (percentages) of goods to be liberalized.

Moreover, these concessions do not always refer to key industries. Their limited scope can be appreciated when we recall that the Mexican economy, even before NAFTA was ever mentioned, was already one of the most open in the world.

A third and final problem, a condensed indicator of all these limitations, resides in the silence of the text of NAFTA itself regarding the principle of special treatment for the less advanced nation. The only "principles" mentioned as guidelines for the agreement (first chapter) are: the principle of most-favored nation, the principle of transparency and the principle of national treatment.[8]

The latter principle puts us face to face with an even worse prospect: the current version of NAFTA tends to widen the Mexican-U.S. gap, not only by omission but also through commission. Far from being granted truly special treatment, Mexico has committed itself to granting the stronger parties (U.S. and Canada) exactly the same treatment granted to nationals. And it has accepted this principle of national treatment as virtually the overriding principle guiding the agreement.

Far from discouraging the ongoing growth of the *maquiladora* industry in Mexico —which indicates, in a nutshell, the country's backwardness— NAFTA as it stands today tends to accelerate the consolidation of Mexico as an export platform. The Amerimex affair speaks loud and clear in this regard.[9]

Some provisions —and silences— of the present NAFTA speak on their own. Notably, the provisions awarding a very generous protection to foreign investors' intellectual property rights —from copyrights, trademarks and patents to industrial designs and secrets.[10] After all, that means that the transfer of technology, let alone know-how, will not be as fluid as Mexico needs it to be in order to move out of the underdeveloped world.

[7] Committee for Economic Development, *Breaking new ground in U.S. trade policy (a statement by the Research and Policy Committee).* Westview Press, Boulder, Colorado, 1991, p. 105. Despite this publication date, this chapter of the book seems to have been written before the public announcement of NAFTA negotiations in June 1990.

[8] *Tratado de Libre Comercio de América del Norte* (two volumes), Secretaría de Comercio y Fomento Industrial, Mexico City, 1992, Volume I, p. 11.

[9] As widely publicized both in Mexico and the U.S., the Mexican government —through Nafinsa— was participating (with 25% of the stock) in *Fondo Maquiladora Amerimex*, an enterprise devoted to promoting the relocation of American factories to Yucatán so as to take advantage of low wages, among other things. As soon as the Clinton administration complained —through its commerce representative, in February 1993— Nafinsa cancelled its participation.

[10] *Tratado de Libre Comercio...*, Vol. I, pp. 282-290.

So at best, NAFTA seems to spoon out a little bit of weak medicine for the gap between Mexico and the U.S., and a good deal of strong poison tending to widen this gap —leading eventually towards the point of self-destruction. In other words, towards the point where such a gap turns into an abyss, thus pulling not only Mexico but the U.S. itself down towards the basement of the new world building.

NAFTA, as it stands today, could make this come to pass sooner rather than later. Right after the contents of NAFTA were finally publicized, two serious studies were published in the U.S. —one by the Congressional Office of Technology Assessment and the other by the Economic Strategy Institute.[11] Interestingly enough, despite their contrasting approaches, both studies agree on the possibility that NAFTA, in the long run, could lead to a "low-wage competition" between Mexican and American workers, thus pressing downward the living standards of both countries.

The Congressional study's title is quite revealing: *U.S.-Mexico Trade: pulling us together or pulling apart?* In our view, a still more compelling way of posing the question is: pulling us up, or pulling both countries down?

The latter danger cannot be overestimated. And as we have sought to stress, the need to start bridging the U.S.-Mexico gap is truly a matter of national security for the United States itself. Understandably, most of the American studies carried out before NAFTA was signed took an optimistic view.[12] But now that we know more about the pact, there is growing consensus on the need to improve it, if not to remake it altogether. Let us then pass to the last challenge: how to improve NAFTA?

Towards an "equalizer NAFTA"

It is necessary to specify what we mean by equalization, even at the risk of stating the obvious. First of all, equalization should be understood as a process rather than a goal achievable overnight. Mexican underdevelopment has to do with a long history; yet it is not an insurmountable problem. The new thinking presently required must also bury any and all dogma about underdevelopment being a matter of destiny or fate.

Likewise, equalization should be understood as relative rather than absolute. While the latter is impossible and even undesirable, since diversity is itself an asset of democracy, the former has to be sufficient to allow Mexico's entrance —in deeds, not just rhetoric— into the industrialized world.

Hence a third and last specification: equalization must be upwards, never downwards. Equalization that allows the U.S. itself further development, although this time a safer and healthier development —not one based upon Mexican underdevelopment, among other self-defeating flaws.

Here we have space to suggest only a handful of alternative provisions. An "equalizer NAFTA" should establish mechanisms and objectives such as the following:

- Preferential treatment for Mexico which would help it begin to approach the level of development already reached by the U.S. and/or Canada —whichever is at a higher level in the given field.
- Promoting a genuine competitiveness, i.e., one based not on cheap labor and lax standards for environmental and consumer health protection, but rather on increasing worker productivity, training and income, as well as an ever-growing quality of life for everybody.
- Discouraging any tendency towards transforming Mexico into a giant *maquiladora*, as well as the trans-national relocation of businesses interested only in taking advantage of the countless vices of a *maquiladora* economy. During the course of Mexico's transition to a truly industrialized economy, measures should be implemented to humanize working conditions in the *maquiladoras*.[13]
- Harmonizing standards, according to the highest ones in force in North America, related to labor, environmental, health, safety and human rights at large —to be sure, not only rights but above all practices and realities. Subsequently, promoting further improvements in such standards.
- A broad set of stimuli for investors, be they national or foreign, willing to comply with standards and goals such as the above. Correspondingly, sanctions for investors insisting on perverting free trade and making it a free

[11] U.S. Congress. Office of Technology Assessment, *U.S.-Mexico Trade: pulling us together or pulling apart?*. ITE-545, U.S. Government Printing Office, Washington, D.C., October, 1992; and Lawrence Chimerine & Robert Cohen, *NAFTA: making it better*. Economic Strategy Institute, Washington, D.C., 1992.

[12] To mention what seem to have been the most influential studies during the year of their publication: U.S. International Trade Commission, *Review of trade investment liberalization measures and prospects for future United States-Mexican relations*, U.S. Government Printing Office, Washington, D.C., October, 1990; KPMG Peat Marwick (an international accounting firm), *The effects of a free trade agreement between the U.S. and Mexico.* Policy Economic Group, Washington D.C., March, 1991; and Gary Hufbauer & Jeffrey Schott, *North American Free Trade.* Institute for International Economics, Washington, D.C., 1992.

[13] Good examples of the measures required may be found in the "*maquiladora* standards of conduct" drafted by a U.S.-Mexican coalition of labor, environmental, religious, Latino and women's organizations. In sum, they demand "socially responsible behavior" from *maquiladora* owners. The whole text may be consulted in *Economic and environmental implications of the proposed U.S. trade agreement with Mexico.* Senate Hearings 102-116, U.S. Government Printing Office, Washington, D.C., 1991, pp. 52-54.

ride through exploitation of workers, consumers and the environment. "The polluter pays" is an increasingly accepted guideline/principle. We need only add: "Exploiters and/or poisoners pay too."

- Transferring sound technology so as to accelerate Mexico's development. No more outdated, overpriced or polluting technologies. And not just technology, but know-how, so that Mexico can eventually walk on its own two feet as part of the industrialized world.
- Some sort of barriers both against capital flight just for the sake of private speculation as well as governmental corruption, so as to prevent the sterilization of any foreign aid at the very moment of its arrival —which has occurred frequently, and still does, in Mexico.
- Also, some type of barrier against NAFTA being capitalized on by oligarchical groups. Otherwise, it will be impossible for the "democratization of capital" to advance. On the contrary, the present NAFTA tends not only to legitimize but to give privileges to giant corporations, even in Mexico. For instance, Telmex and Televisa —the closest thing to pure monopolies— are the archetypal beneficiaries intended by liberalization schedule exceptions in the area of telecommunications.
- Not only special safeguards and reservations, but systematic stimuli in favor of the small and medium business sectors in all countries involved in NAFTA.
- In sum, mechanisms to guarantee that NAFTA primarily benefits majorities within each country. Here, the range of mechanisms would go from the liberalization of worker mobility —not only of capital and "business people" mobility, as current NAFTA provides for— to democratic mechanisms helping prevent the transfer of national sovereignty in favor of a supranational bureaucracy disengaged from principles such as electivity and accountability.

As long as an elite, by now virtually a bi-national elite, continues to drive and benefit from the U.S.-Mexico relationship, the gap between and within the two countries will continue to grow. In point of fact, political as well as economic elites of the signatory countries have been the major supporters of the current NAFTA, through big-business coalitions like USA-NAFTA.[14]

In our judgement, an equalizer NAFTA is not only desirable but feasible. The integration experience of the European Economic Community (EEC) is a good example. Over time, the less developed nations —Portugal, Spain and Greece— have approached the most advanced nations' level of development. But that has not resulted from lucky circumstances. On the contrary, it is the result of sound and deliberate measures, such as the creation of the so-called structural-adjustment funds (nearly 68 billion dollars) aimed at strengthening the weakest parties.

This is all the more significant given that the aforementioned countries are not as weak as Mexico is vis à vis the U.S. and Canada: whereas the per capita GDP of Spain, Greece and Portugal is 75% of the EEC average, Mexico's barely amounts to 15% of the American and Canadian per capita GDP.

There are other indicators of the feasibility of an equalizer NAFTA. According to a traditional reading of the history of U.S.-Mexican relations, one would suppose that the main resistance against such a NAFTA would be found on the American side. Surprisingly enough —or pointing to the need to set aside conventional wisdom about the U.S.— broad sectors of American society do favor one, two or perhaps all the ingredients of an equalizer NAFTA herein suggested.

This is certainly the case with the labor movement, first of all the AFL-CIO. It is also the case with major organizations within movements struggling in favor of the environment (Greenpeace, Sierra Club, Friends of the Earth, Wildlife National Federation), or in favor of consumers (Public Citizen, National Consumers League, Public Voice for Food & Health Policy) or human rights (American Friends Service Committee, Americas Watch).

Likewise it is the case with liberal and progressive think tanks (Economy Policy Institute, Institute for Policy Studies, World Policy Institute), and surely with countless intellectuals within academic and journalistic circles.

Moreover, it is also the case within the business community itself, in particular non-giant entrepreneurs associated with organizations such as the Small Business Exporters Association and the National Family Farm Coalition. But even within the business elite it is possible to find organizations sensitive to the need to bridge the gap between the U.S. and Mexico, such as the Emergency Committee for American Trade, the U.S. Council of the U.S.-Mexican Business Committee and, believe it or not, the U.S. Chamber of Commerce, usually known as a very conservative organization.[15]

Undoubtedly, what we have here is a fundamental issue. Whereas an equalizer NAFTA could be the airplane the U.S. and Mexico ought to take if they want to fly high, a gap-widening NAFTA will, sooner or later, prove to be a sinking boat VM

[14] This coalition, headed by such giant corporations as Eastman Kodak and American Express, as well as powerful organizations of the big-business community like the Business Roundtable, was created right after the inauguration of the Clinton administration, in order to reinvigorate defense of the Bush-Salinas-Mulroney NAFTA.

[15] To properly appreciate progressive views in American society, one has only to review the Congressional hearings related to NAFTA since its announcement in June 1990, as we did while preparing the book *Mexico within U.S. strategy, approaches in the light of NAFTA and democracy*, presently being printed in Spanish (still in search of a publisher in English).