Myths and Realities of the TPP
A Development Strategy for Mexico?

Enrique Pino Hidalgo*

Iván Alvarado/Reuters

The Mexican government's decision to sign off on the TransPacific Partnership (TPP) has sparked concern and questions about its content and repercussions on productive sectors, employment, and consumers. Debate about Mexico's entry into the new regional bloc was scanty and has been limited to the occasional comment by academics, government, and the media. Actually, the TPP initiative is not a concern of the average citizen; as a matter of fact, the project itself and the negotiations are confidential. In any case, the proposal of a trade bloc in the strategic Pacific Basin once again dredged up the old, orthodox liberal arguments that had been brandished about in favor of the North American Free Trade Agreement (NAFTA).

It is a good idea to first of all briefly review the ABCs of the partnership as a trade, investment, and services strategy fostered by Washington since 2002. Today, it has been signed by Japan, Singapore, Vietnam, Malaysia, Brunei, New Zealand, and Australia; Latin American participation is limited to Peru, Chile, and Mexico; and the last two are Canada and the United States, which, together with Mexico are part of NAFTA. These 12 countries make up a market of 800 million people, 40 percent of the world's gross domestic product, and supposed potential profits of US$295 billion. But in trade and politics alike, absences also count. And in the case of the TPP, the absence of China, South Korea, Taiwan, Argentina, and Colombia weighs heavily. In 2013, Chinese authorities announced that they would examine the possibility of participating; in the end, they decided to push their own vision and style of trade —that is, intraregional trade— aimed at creating the Free Trade Area of the Asia Pacific (FTAAP) as an alternative to the TPP.

In Mexico, government discourse promotes the TPP as one of the biggest opportunities yet for investment, employment, and growth. It also promises that its launch would necessar-

*Professor-researcher in the Institutional Economics Area at the Autonomous Metropolitan University (UAM), Iztapalapa campus; pinohen@hotmail.com.

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ily lead to the agreed-upon elimination of tariffs, sanitary barriers, etc., and the negotiation of new rules in the sphere of government procurement and regarding politically sensitive areas like labor rights standard-setting, restricting intellectual property rights, and environmental protection.

Over the course of the negotiations, certain critical issues have come to the fore, such as the opening of the auto-parts and dairy markets, and the extension of patents on medications. In this context of secret negotiation and leaks to the press, the TPP is seen as a threat to the interests of important sectors of industry, agriculture, animal husbandry, unions, and consumers. Statements by autoworkers' unions in Mexico, milk and dairy producers in Quebec, and cancer patients and those affected by other diseases, alarmed at the rising cost of medications and therapies due to new restrictions on property rights, all evidence this concern. These issues are a first level of concerns and criticisms of the TPP, identified as an instrument of the big multinational corporations that will affect Mexico's consumers and producers alike.[1]

Table 1
Mexico's Trade in Goods (2014)

	Millions of US dollars
Goods exports	397 506
Goods imports	411 581
	%
Share in total world exports	2.09
Share in total world exports	2.16
Exports by Main Destination	%
1. United States	80.2
2. European Union (28 countries)	5.7
3. Canada	2.7
4. China	1.5
5. Brazil	1.2
Imports by Main Country of Origin	%
1. United States	49.0
2. China	16.2
3. European Union (28 countries)	11.1
4. Japan	4.4
5. Republic of Korea	1.5

Source: WTO, Country Profiles, http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=S&Country=US.

Reemergence of the Orthodox Free Trade Discourse

From the government's point of view, Mexico's entry into the TPP is put forward in terms of "forestalling" protectionist measures down the road by other countries in the context of the international recession. However, this regional accord does not cover us effectively for that potential risk if we consider that Mexico's supply of exportable goods is 80.2 percent concentrated in the U.S market, and 2.7 percent in Canada's. The 28 countries of the European Union barely receive 5.2 percent of Mexico's exports (see Table 1). Under these conditions, the TPP will have hardly any significant effect because Mexico's two main trade flows are in North America in the framework of NAFTA, which would not be changed by the TPP.

It is argued that Mexico would be guaranteed preferential entry to TPP member nations' automobile, electrical, electronic, agro-industrial, chemical, steel, perfume, and cosmetics sectors. However, this is insubstantial because Mexico's trade with Vietnam, Singapore, or Australia is very small, even if it is tending to increase. In 2014, Mexico's trade with Vietnam showed a deficit of US$1.7 billion. Our country purchases cellular phones, printers, and electrical materials from Vietnam, while it exports goods with lower value-added, such as crustaceous and mollusk flours, dehydrated butterfat, and meat. Actually, Vietnam and Singapore's manufactured exports turn both countries into Mexico's competitors, both in its domestic market and internationally.[2]

The country's foreign trade difficulties occur in the exchange with the Asian countries that have refused to be part of the TPP. Our country's trade deficit with China is precisely the most complex case. Over the last ten years, Mexican exports to China averaged at about 1.5 percent of total trade, while our purchases remained between 15 and 16 percent of all imports. As a result, Mexico's trade balance with China has rapidly deteriorated; in 2014, this resulted in a US$60-billion deficit.[3] Something similar, although on a smaller scale, is the case for Mexico's trade with South Korea, which also has shown a more than US$12-billion deficit over the last five years.[4] As can be observed, Mexico's most serious foreign trade problems do not involve the new Asian or Latin American partners, but the countries that are not in the TPP.

The official discourse used to market the partnership states that the free trade policy embodied in NAFTA and other trade pacts has allowed Mexico to become a "world class" exporting power. This is only partially true because to achieve this, Mexico became a great importer of inputs, machinery, equipment, and enormous amounts of consumer goods. The final effect of massive imports is that they slow economic growth and job creation.

Mexico's status as a great exporting-importing power translates into a deficit in the trade balance, mainly with the Asian economies that are not part of the TPP. In 2014, exports came to US$397 billion, while imports came to US$411 billion, with a negative balance of US$14 billion. In a context of continuing plummeting oil prices, Mexico's trade balance exerts great pressure on the peso *vis-à-vis* the dollar. But the trade deficit is a symptom of industry's structural weakness, particularly of the export manufacturing sector, characterized by operations with high imports, averaging 70 percent of total inputs. By its very nature, the TPP is not an instrument that can solve this problem in the country's foreign trade.

The Root of the Problem: Less Competitive Mexican Exports

Another objection to Mexico's joining the new regional bloc entered the debate: the loss of competitiveness of manufactured goods assembled in Mexico. Added to this is the small or complete lack of effectiveness of policies to foster trade that have made Mexico's entry into the TPP useless. Let us consider that it is the world's second country in terms of the number of free trade agreements; it has signed with 43 countries. But the structure of trade has not significantly changed and, in most cases, its trade balances are negative.[5]

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Ineffective government policies and less competitiveness are evidenced by Mexican manufactures being replaced in the U.S. market by products from China. In effect, over the last six years, Mexico has gone from being the United States' second trade partner to its fourth. In 2014, the structure of U.S. imports gave China the lead, with 19.9 percent of the total, followed by the European Union and Canada, with 17.8 and 14.8 percent, respectively. At the same time, imports from Mexico came to 12.5 of the total, putting it in fourth place (see Table 2).

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Minister of the Economy and Trade Ildefonso Guajardo has stated that the TPP will strengthen the productive chains

Table 2
U.S. Trade in Goods (2014)

	Millions of US dollars
Goods exports	1 620 532
Goods imports	2 412 547
	%
Share in total world exports	8.53
Share in total world exports	12.64
Exports by Main Destination	%
1. Canada	19.3
2. European Union (28)	17.1
3. Mexico	14.8
4. China	7.7
5. Japan	4.1
Imports by Main Country of Origin	%
1. China	19.9
2. European Union (28 countries)	17.8
3. Canada	14.8
4. Mexico	12.5
5. Japan	5.7

Source: WTO, Country Profiles, http://stat.wto.org/CountryProfile/WSDB-CountryPFView.aspx?Language=S&Country=US.