Mexico’s NAFTA experience underscores need to rethink U.S. trade policies

WASHINGTON, Dec 7—Despite an increase in trade, foreign investment, and productivity since NAFTA took effect in 1994, Mexico has been disappointed by slow economic growth and weak job creation. In addition, recession in the United States is hitting Mexico particularly hard, given its dependence on its northern neighbor.

Mexico’s experience with NAFTA underscores the need to reform trade agreements between the United States and developing countries. There are five things to remember in future trade agreements with the United States, contends a new paper by Eduardo Zepeda of the Carnegie Endowment and Timothy A. Wise and Kevin P. Gallagher of Tufts’ Global Development and Environment Institute:

1. Incorporate stronger provisions on labor and the environment—even stronger than the recent bipartisan proposals incorporated into recent U.S. trade agreements, such as the one with Peru.

2. Liberalization of sensitive agricultural sectors should be undertaken carefully and be coordinated with investments in agricultural productivity and job creation.

3. Allow governments to selectively promote strategic industries that offer long-term benefits, including rural development, job creation, and environmental protection.

4. Include funding for development that will increase the competitiveness of emerging economies and level the playing field among trade partners.

5. Trade agreements are not a substitute for coherent national development strategies.

“There is increasing international recognition that trade policy in the Western Hemisphere should be overhauled,” conclude the authors, based on this comprehensive review of Mexico’s economic performance under NAFTA. “Now is the time for the U.S., Canadian, Mexican, and other developing country governments to take a fresh look at NAFTA’s experience and shape trade and development policies to better meet the needs of their people in a manner that respects the right to development, job creation, and the environment.”

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Eduardo Zepeda joined the Carnegie Endowment in 2007 as a senior associate in the Trade, Equity, and Development Program. He also serves as a policy adviser to the Bureau for Development Policy’s Poverty Group at the United Nations Development Programme, a position he has held since 2003. Zepeda’s research focuses on employment, poverty, and development policy.
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Kevin P. Gallagher is an associate professor in the Department of International Relations at Boston University and senior researcher at the Global Development and Environment Institute, Tufts University. He is the author of the following recent and forthcoming books, The Dragon in the Room: China and the Future of Latin American Industrialization (with Roberto Porzecanski), The Enclave Economy: Foreign Investment and Sustainable Development in Mexico’s Silicon Valley (with Lyuba Zarsky), and Free Trade and the Environment: Mexico, NAFTA, and Beyond. He writes a monthly column on globalization and development for the Guardian.

The Carnegie Trade, Equity, and Development Program undertakes analysis and promotes policies and strategies to make global economic integration work for more countries and more people.

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