

# NAFTA 20<sup>th</sup> anniversary: results, present realities, future prospects

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# What FTAs are and their impact on orderly liberalization

- Objectives of free trade agreements (FTAs): a) enhancing economic linkages between countries; b) creating more efficient production processes;; c) increasing the availability of lower-priced consumer goods; d) improving living standards and working conditions (Hufbauer and Schott 2005).
- FTAs such as NAFTA could be used as a vehicle or template for the three NA partners, but mainly by Mexico and more recently by the US in signing other trade agreements.
- Mexico has FTAs with 44 countries (14 such deals), while the US has deals with 20 countries. The most recent negotiation is the TPP.
- Between 1993 and 2012, total U.S. trade with Mexico increased by 506%. In comparison, U.S. trade with Canada increased by 192%.
- Trade volume has put a great pressure on infrastructure on both sides of the border that needs to be addressed. Mexico's energy reform could be a springboard for this.
- So called industrial (or promotional) policy in Mexico was dismantled between 2000 and 2013. New Mexican domestic reforms (telecom, financial, and mostly energy) seem to move into a bifurcation of centralization and promotion along with atomization or governance.

# NAFTA: what it meant? Its 22 chapters in a nutshell

ISSUE	COMMENT AND PROBLEMS
<ul style="list-style-type: none"><li>• Market Access</li><li>• Customs Origins and Procedures</li><li>• Technical and Phyto-norms</li><li>• Intellectual Property</li><li>• Investment</li><li>• Illegal trade practices</li></ul>	<p>OK. [Probl.] MFN OK. [.] Drawback, Stds. Procedures? OK, [.] non-homogeneity Secured. [.] Administration OK [.] MFN, NT, fiscal presence OK [.] Anti-dumping measurement under the CET pending on sched. of lib. by</p>
<ul style="list-style-type: none"><li>• Government procurement WTO rules</li><li>• Agriculture</li></ul>	<p>[.] excluded on 'sensible' sectors: sweeteners' problem</p>
<ul style="list-style-type: none"><li>• Services (incl. Financial)</li><li>• Disputes</li><li>• Procedures</li></ul>	<p>OK. [Probl.] info sharing rules GATS, role of Chapter 19 rules. OK on negative lists [.] Dispute teams not permanent</p>
<ul style="list-style-type: none"><li>• Side agreements (labor, environment)</li></ul>	<p>Application of norms</p>

# Analytical Comments of Key Points

- **Events not related but affecting NAFTA: The unintended consequences**
- **Depth and Dynamics of Production chains**
- **Has NAFTA lost its luster? Energy Reform: A unique opportunity**

# Energy Reform analyzed as a move from government to governance

Table 1 Dimensions of the Framework between Government and Governance for Mexico's ER

Dimension	Government	Governance
Efficiency Aims	Subject to various levels of central objectives, non-economic	Economic converging objectives on costs, output, technology, final prices
International Competitiveness	No reference necessary, but social or political objectives for NOCs	International referents among institutions, governments, and paradigmatic NOCs
Security	Guaranteed by the State as national priority in protecting state-owned enterprises	Shared by international, regional, national policies, guaranteed by the market mechanism
Referents in the government and governance	State and NOC PEMEX only (self reference)	Petrobras, Ecopetrol, Statoil have been proposed, from various levels of liberalization and democratization, and shared state involvement
Competition structure, fiscal, and financial regimes	No competition, centralized fiscal and financial regimes	Transitional to market driven, including fiscal and financial regimes
Geographical context	National	National, international, subnational

## Cont...

Interests	National Constitutional interest driven by history or political tradition	Differentiated, subject to regulatory oversight, international oversight
Norms (legal and implicit)	Mainly sovereignty, with strong central control, strong legal stance, and distributive aim	Limited sovereignty, with distributed/ market control, strategic subnational and national stance, and efficiency (see above in this table)
Decisionmaking and organization	Central, hierarchical, obligatory consensus, not organizational	Decentralized by strategic objectives, horizontal, self-government, market driven financial, fiscal and labor regimes
Policy implementation	Centralized, shared only to directorate and unions of the enterprises, coercive	Fragmented, various levels of government involvement, shared with enterprise, unions, civil society
International scope	Not important	Very important
Transparency issues		Very important

# Effects on NAFTA?

- Chapter 6 on energy products (and services) liberalized under the agreement allows for deepened liberalization, but type of contracts need to be clearly spelled out. The legal precedence of NAFTA permits and covers such lib. Oil, petrochemical products, gas, and electricity are included.
- Chapter 11 on FDI and the Mexican Foreign Investment Law needs to be overhauled. NAFTA's legal terms under the NT principle allows these changes dependent of the secondary laws and regulations, and performance measures.
- Joint efforts on infrastructure improvement are needed additionally to NAFTA chapters, but revision of customs procedures under NAFTA's Ch. 5 is required.
- Chapter 12 should be used to improve communication and hiring procedures for trans-border services trade (engineering, and all technical and technological contracts). It extends to Chapter 16 on temporal business (and labor) entry

**THANK YOU**

**Q&A**