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THE U.S.- MEXICO FREE TRADE AGREEMENT: THE MEXICAN PERSPECTIVE: DISCUSSION

Nicole Ballenger

Eduardo's paper was an excellent overview of developments in the Mexican economy and the perspective of the Government of Mexico (GOM) on the contribution of a North American Free Trade Agreement (NAFTA) to Mexico's economic future. Most of my comments are really questions for Eduardo, to which I hope he will have the opportunity to respond.

The paper presents the GOM's perspective as a unified view that NAFTA will help solidify Mexico's integration into the world economy. My first question is: Is the view from Mexico actually one of such solidarity? Do all interested parties support the GOM position? What is the view from labor, manufacturers, owners of capital, and academics? Is there a nascent environmental movement that opposes the agreement as in the United States? Within agriculture, is support for a NAFTA divided along commodity lines? How do livestock producers, who will lose protection at the border but gain through lower feed costs, come out? Do peasant farmers, who are largely producers of corn and beans, have a voice and do they find their interests pitted against those of the large-scale modern farmers of Mexico's northwest? What is the perspective of hired farm labor, the labor pool that supplies both U.S. and Mexican markets?

My second question regards the Mexican notion of what liberalization of agriculture through a NAFTA would actually mean. There is a spectrum of possibilities for the treatment of agriculture within the potential agreement. An agreement could: (1) omit agriculture altogether (although this might constitute a violation of the GATT principle that a free-trade area should encompass substantially all trade); (2) limit the reduction of agricultural trade barriers to border measures, or even just to tariffs; (3) include the reduction of domestic support to agriculture, or in some way take account of divergent levels of domestic support on both sides of the border; or (4) develop a common policy set. This range of possibilities should be of substantial interest to Mexico. Both countries use a wide array of agricultural policy measures; however, Mexico's support for agriculture is more heavily weighted by border protection (principally import licensing) than is support to U.S. farmers (which has a heavy direct income compo-

nent). Because of this disparity, the burden of adjustment to the terms of an agreement focused on border measures could fall more heavily on Mexico than on the United States. Mexican interest groups might also have mixed positions on the potential agreement's treatment of the programs the United States at times uses to assist its exports to Mexico, including export subsidies, donations through the sec. 416 program, and export credit guarantees.

As a corollary to the question posed above, I wonder what motivates Mexico to push for a strong agreement for agriculture. Eduardo's paper suggests, based on a Farm Bureau study, that there would be little or no gain for Mexico's fruit and vegetable producers, ambiguous impacts on Mexican livestock markets, and major losses for Mexico's cereal producers. He suggests that the GOM's motive is to bring competitive forces to bear on Mexican agriculture so that it will become over time more productive. I can't help wondering if the GOM is also offering up its peasant agriculture sector in return for U.S. concessions in some non-agricultural area of greater interest.

Third, I would like to know more about the Mexican point of view regarding environmental issues relating to agricultural production. Eduardo's paper talks about steps the GOM has taken to avoid Mexico's becoming a haven for "dirty industries," but are there actions it contemplates or recognizes as important pertaining to pesticide use, food safety, farm worker safety, water quality, soil erosion, or deforestation? Are there issues related to the interface between agriculture and the environment or health that could derail the negotiations, and that therefore must be addressed by Mexican officials?

Fourth, I am interested in the Mexican view on trade diversion. Eduardo's paper supports the case for trade creation rather than diversion, but some third countries surely see themselves as losers. What has Mexico's position been vis-a-vis the countries of the Caribbean, Central America, and South America in particular? This question also raises the issue of "rules of origin," one of the stickiest areas of the negotiations. While many U.S. interest groups seek strict rules of origin, third-country suppliers have an interest in seeing these rules allow them as much

access to the United States through Mexico as possible. Mexico must find itself in the middle on this issue.

Lastly, I'm concerned that the paper's focus on getting government out of Mexican agriculture implies that the GOM has failed to articulate a new and more appropriate—but still active—role for itself in this still-developing sector. Many of us think of Mexico as home to the Green Revolution—a place where dramatic increases in grain production were realized. These gains followed a strong public sector commitment to agriculture, including public sector investment in infrastructure and research, and subsidies for water and other inputs. Eduardo's paper says the GOM sees its new role as 'facilitator'. What does

this mean? Clearly, many market failures can still be found in the Mexican agricultural sector, including inadequate roads, poor rail systems, lack of storage, and incomplete information on technologies and market opportunities.

I think the challenge to the GOM on agriculture is much larger than the paper suggests. Through a NAFTA, Mexican consumers and livestock producers should be able to take advantage of lower priced food and feedstuffs from the United States, and competition should improve Mexican agriculture's performance in the longer run. But doesn't Mexico still need an agricultural and rural development strategy, and how should such a strategy interface with a NAFTA for agriculture?