

Mexico's experience after nafta

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The question whether Mexico has benefited from NAFTA is still under discussion and constant debates. Some claim that since NAFTA there is a significant increase in poverty rates, whereas others provide the opposite information. Apparently, in broader terms, the country has benefited from free trade agreement and NAFTA is surely good for Mexican population, although it leads to inevitable changes in agricultural sector. However, changes don't mean turning situation for worse. In particular, two-way trade between the United States and Mexico swiftly grew up and amounts up to \$231 billion in 2002 compared with \$81 billion in 1993. It means that Mexican modest trade deficit is turned into trade surplus of about \$37 billion. (Williams 2004)

Further, country's export grew as well up to 80% during 1985-1993 after accession to GATT. Since NAFTA the growth rate has even doubled. Mexico's export of end-products amounts about 90% of total exports. It leads to creation of more jobs and higher paying. The next moment to mention is that the annual growth of gross domestic product (GDP) is 5.4% in 2000 compared with 3.9% during 1990-1994. Many economic analysts say that both export and international trade are keys to accelerating country's economic and financial recovery after crisis in 1995. During 2001-2002 GDP growth slowed down because of economic woes in the USA, but since 2002 it has been increasing. (Gruben 2001)

Agricultural export has also certain benefits since accession to NAFTA. Previously, the country's annual deficit was about \$1.5 billion with the USA, but since NAFTA agricultural export has doubled as well - in 2002 growth of agricultural exports was about 9%. The next benefit is lower costs inputs for

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country's food processing due to increased competition and free trade.

Moreover, decreased inflation rates for food products provided excellent opportunities for stabilizing inflation since 1990s. It may seem that increased competition would destroy some business, but the positive moment is that the dollar value of country's agricultural production has increased - for pork up to 24%, for beef up to 13%, for chicken up to 60%, for fruits up to 27%, for sorghum up to 85%, and for vegetables up to 36%. (Williams 2004)

Despite increased competition, many of Mexico's sectors remain competitive with the US sectors: fresh fruits, vegetables, live cattle, tomatoes and avocado. Moreover, export of horticultural has also increased by 120%.

Mexican debate in agricultural sector is how to offer more protection from imports. However, some claim that party simple seeks ways how to capitalize relations with the rural poor. For example, David Williams writes that " NAFTA provisions coupled with the U. S. Farm Bill, often have been portrayed as portending certain doom for Mexico's agricultural sector; however, U. S. producers absorb costs that Mexican producers do not, such as high labor costs, costs of compliance with strict environmental and worker safety regulations and taxes". (Williams 2004)

Actually, Mexico faces domestic structural problems which can't be addressed by NAFTA. Creation of new jobs, lower consumer prices and decreased inflation rates allowed farmer not to feel dependent from agricultural sector mainly. Transition from agricultural sector is inevitable even without NAFTA.

Summing up, Mexico has benefited from NAFTA, and nowadays about 20% of country's GDP is "attributable to trade made possible by NAFTA provisions". (Williams 2004) Country's rural regions also benefited from NAFTA as free trade ensured creation of thousands of new jobs along with higher payments. Mexican government announced that poverty rates had decreased in urban and rural areas since 1995. So, Mexico revealed that free trade was necessary for accelerating economic and financial development and transitions to competitive manufacturing sectors. Future Mexico's policies are to focus on generating more jobs, developing more trade opportunities and improving productivity of those businesses which have the competitive potential. (Sandronsky 2006)

References

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