Nafta: it’s impact on maritime transport

Transportation

Ports in Los Angeles accounted for handling of 7. 3 million containers in 2004. In the same year, Long Beach ports handled 5. 8 million containers. These are the two largest port areas on America’s coastlines, and together accounted for 68% of all cargo handled in the West Coast in 2004. This has largely been enabled by the tremendous increase in trade between the U. S and the Orients – Japan, China, Singapore, etc. This status is however being compromised by phenomena that have resulted from the North Atlantic Free Trade Agreement (NAFTA), which is seeing more and more traffic being re-routed to Mexico, as capital searches for cheap labor.

This paper explores the transport side of the NAFTA phenomenon, with a bias toward implications on shipping and related transport issues between Mexico and the U. S. Flow of Cargo Traffic The vast distances between source and market in international trade between the U. S and the Far East have meant that for most products, transportation costs have been higher than production costs. This situation has partly been solved by the now common practice of manufacturers packaging products in mobiles containers inside the factory, cutting out significant logistical bottlenecks.

This reduced cost saw the increase of shipments to the U. S through Los Angeles and Long Beach from the late 1980s – as the off-shoring of industrial plants caught on – through to the present. The predominant movement of goods was therefore predominantly East-West. The flow of goods in this manner has however faced a variety of challenges, largely due to labor unrest as workers at ports and on highways raised issue with their wages and deteriorating working conditions.

Such disruption inevitably results in losses, prompting investors to start seeking remedies. When NAFTA was enacted in 1995, a window of opportunity opened up for investors to counter the negative effects of labor unrest; labor in Mexico was not only cheaper, but high unemployment levels there also meant that unrest would be less likely. The only hindrance with using Mexico’s coasts however is the extra 30% distance that ships have to travel to reachMexicanports as compared to the U. S’s West Coast.

By allowing free trade through the elimination of most tariffs, NAFTA has provided a cost reprieve for transporters through Mexico to the extent that despite the extra 2000 miles that ships have to travel, it is still 15% cheaper to transport goods to through Mexico as compared to California, largely owing to the cheaper labor and removal of toll charges. Now maritime routes are steadily shifting from East-West to South-North, brought about by a variety of factors; Investment in Terminals NAFTA opened up the three countries to free flow of investment between each other.

Mexico has made concessions on some of its policies by allowing the privatization of most nationalized industries, among them the port authorities to investors from America and Canada who have set up new ports and taken up to 49% shareholding in most other previously government-controlled ports. This surge in capacity has led to new super-ports in Mexico, the most notable being Lazaro Cardenas. They have enabled the re-routing of vast volumes of cargo away from the U. S West Coast as transporters rush to cut costs. Highways and Railways

The second contributing factor is the road and rail network in the U. S and Mexico, which has enabled the movement of trucks through Mexico into the

American South. As ports in Mexico increased importation capacity, container terminals were set up in tandem in Mexico. Trucks transport containers by road through Mexico and into the U. S through the Texas all the way to Kansas, from where distribution to the rest of the southern U. S states is fluid. In Mexico, the highways are part of the Federal Highway system, while in the U. S the major route used is the I-35, part of the Interstate Highway System.

The rail systems have been consolidated effectively into a NAFTA railway, merging Transportacion Ferroviaira Mexicana (the Mexican rail entity) with the Texas Mexican and Kansas City Southern Railways. The combined effect of rail and road has seen the flow of container traffic into the U. S through Mexico spike from about 100, 000 units in 1991 to upward of 920, 000 units as of 2004, according to the Mexican Secretary of Commerce and Transport. In the chart released by the office, the turning point is clearly 1995 when the treaty was enacted; the flow of containers rose by 450% between 1995 and 2004. Figures from the U.

S Bureau of Transportation Statistics indicate that the truck crossings between Mexico and the U. S rose from 3. 3 million in 1996 to 4. 5 million by 2006. A comparableobservationwas made for rail crossings. Privatization The Mexican constitution asserts all resources within Mexican borders as the property of Mexicans. With their debt crisis in 1982 however, they had to make concessions to IMF demands that they privatize most of their state-owned businesses, including ports. This has been happening since, and has accelerated under NAFTA as the agreement calls for free investment in virtually any industry.

The opportunities in Mexico have attracted American and Canadian investors into the shipping industry there, allowing them to build ports and set up container depots that are 100% privately-owned. As a result, new ports are being constructed in Ensenada and Manzanillo in the Pacific Coast of Mexico; in the Gulf Coast, Veracruz and Altamira have also seen the rise of new privately-owned ports. Freight companies can as well be 100% foreign-owned, allowing American investment in truck companies and rail.

The privatization has been compounded by the Supreme Court decision to allow Mexican truck drivers into the U. S, provided their trucks can be certified as safe and compliant withpollutionstandards. Previously, Mexican drivers were constrained within their borders. With the decision, American investors are now free to set up trucking companies in Mexico furnished with modern, compliant trucks. They will be wholly Mexican, and thereby able to take advantage of advantages on either side of the border, creating a single seamless transport system between the two countries.

Aiding the process further is the Mexican government’s recent decision to eliminate bonds on transport for goods in transit through Mexico, effectively making it free to use the mainland for transport into the U. S. Overall, the foreign investment in ports and container terminals aided by privatization has vastly increased the flow of goods into Mexican coats, from where the rail and road transport networks facilitate their movement into the U. S. Effects of NAFTA on Maritime Labor The effects of NAFTA on industrial labor have been well documented and debated over, and the general consensus is that U.

S jobs are being shipped to Mexico through off-shoring of industrial plants. However, little has been written on NAFTA effects on labor in the shipping industry. In thisrespect, it seems that the unending wars between capital and labor are inherent. With new ports being built in Mexico, cargo traffic has been diverted from America’s West Coast. The reduced traffic means fewer jobs in the shipping industry in America and more for Mexicans. The effectiveenvironmenttherefore is one where American and Mexican workers are in competition, driving down labor costs on either side to the benefit of capital.

Jobs being shipped out to Mexico include crane operators at the port, supervisors, warehouse and container depot workers, truck drivers and more. The combined advantages for capital in transiting goods through Mexico has caught the eye of large retailers such as Wal-Mart andCostcowho are now planning to set up their own depots in Mexico to serve the same purpose similar depots in California are serving. While the phenomenon on the surface seems to favor of Mexican workers, this is not necessarily the case as the new jobs at times pay below-subsistence wages, making the workers unable to save and improve themselves socio-economically.

The move by the Supreme Court to allow Mexican drivers into the U. S also has far-reaching effects on labor; the drivers are paid Mexican-level wages, but have to comply with American rules and regulations. Most of them find themselves working more in the U. S than in Mexico, meaning that they have to survive in a high-cost-of-living environment on low-cost wages. Besides this, American drivers also lose jobs to the Mexicans. All the same, jobs have been created in the construction industry as well in Mexico, necessitated by the rapid infrastructural growth.

Still, new mega projects are in the works, an example being the Punta Colonet, a multi-billion dollar project to be located at Baja’s Pacific Coast. The development will give rise to a brand new city where nothing currently exists, with the construction of a deepwater harbor to accommodate the extra-large ships currently plying trade routes that are unable to navigate the Panama Canal. A new interstate corridor has been proposed to take advantage of the increased trade between Mexico and the U. S (90% increase since the inception of NAFTA).

This development will be comprised largely of an extension of the I-35 and the construction of a new I-69. Both will carry goods deep into the American Mid-west. These projects, as proposed, are massive ones that will require vast amounts of labor; the I-69 for example will comprise 5 truck and car lanes on either side as well as 3 railway lines on either side as well. All these developments are the result of increased maritime activity, and are also set to increase it further by attracting further investment at the ports.

Conclusion The dominance of Los Angeles and long Beach in California as the predominant ports in the West Coast is under threat from Mexico as new ports spring up and divert traffic to the Pacific and Gulf Coasts of Mexico. This has been brought about by labor conflicts in the U. S shipping industry and the presence of much cheaper labor in Mexico. The presence of extensive rail and road networks and the inclination of the Mexican government toward privatization have further added to the phenomenon.

The consequences of these developments are far-reaching, but most profound in labor, where jobs are leaving California for Mexico. While this might look like a good sign for Mexicans, in practice it is not as they get paid barely subsistence wages. The Supreme Court decision to allow Mexican drivers with certified trucks into the U. S has further compounded this development. ? References Forster, R. “ A concise background and history of the Punta colonet multimodal project in baja California” (Dec 2009), in Border Brief, Univ. of San Diego Press. Lawrence, C. (2004).

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