NAFTA and territorial integration in Mexico

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The North American Free Trade Agreement (NAFTA) between Canada, Mexico and the US is more than a commercial agreement, at least for Mexico. Since it was signed in 1992, it has involved numerous and profound constitutional and legal reforms. It implies deep changes in economic, social, political and cultural life, from the daily life of labourers to the government's interpretation of national sovereignty and its discourse on nationalism. Among these changes, we shall address the analysis of possible impacts of NAFTA on Mexico's territorial, regional and urban organization, and the contradictions these raise. Given that in order to observe the real impacts we would have to wait several years, we shall analyse the foreseeable logical trends in the articulation of NAFTA with the rest of the neoliberal structural adjustment policies applied by the Mexican government since 1983.

GLOBALIZATION OR THE FORMATION OF ECONOMIC BLOCS?

Although the globalization of the economy is the neoliberal supposition – especially the exchange of capital, merchandise and service in a 'free' world market – the struggle for economic hegemony among the US, Japan and Germany, the commercial conflicts among the developed capitalist countries and the protectionist measures they have applied, make it possible for this process to stagnate (Guillén 1993).

As an intermediate phase of globalization, or its replacement, there appears to be a tendency towards regionalized internationalization through the formation of three large political-economic blocs: the European Community, under the hegemony of Germany; the North American bloc, under the hegemony of the US; and the Asian bloc, under the hegemony of Japan. Among these blocs of different natures, world economic hegemony will be disputed. This is why we speak of a new phase of internationalization, rather than of

globalization, since the process seems to exclude such important areas of the world as Africa, parts of Asia, Latin America and the Caribbean, whose role would be secondary to that of the subordinate countries directly integrated into the nucleus of the economic blocs. The dynamic of the economic blocs could lead to an endogenous relationship, excluding relations with the subordinate countries of each bloc with each other, leaving the essential part of relations among these under the control of the hegemonic partners.

For Mexico the impact of the new internationalization will deepen the tendency towards territorial restructuring outwards, towards the periphery, modifying the inward pattern of organization of industrialization with import substitution. In this framework, any of these alternatives would have differing territorial implications. Real globalization and the opening of trade and finance towards all countries could create a more dispersed and scattered peripheral territory, involving Mexico's northern and southern land borders, though these would be dominated by the country's northern border with the US and by the Pacific Basin as a border with the Asian bloc. On the other hand, the hypothesis of the economic blocs in opposition would generate a growth, also peripheral but concentrated in the territorial elements of articulation with the US, emphasizing Mexico's northern border. Its specific modalities would vary according to the predominance of one of the three possibilities we have mentioned. These processes are not 'external' to Mexico's socioeconomic and territorial structure. The explanation for this includes the comprehension of the combined territorial impacts of the integration of foreign trade and neoliberal internal modernization.

THE AGRICULTURAL COUNTER-REFORM, NAFTA AND URBANIZATION

The objectives of the agricultural counter-reform promoted by the Mexican government and approved by the Mexican congress in 1990–91 were the privatization and concentration of ejidos (communally held lands) and communally owned property. In the medium term, the full commercial opening of NAFTA would allow the indiscriminate entrance of US and Canadian agricultural products into the Mexican market, for the majority of which Mexico's small plots of agricultural land (minifundios, ejidos and communally held lands) do not now have the economic, technical and social conditions to be competitive, nor could they have for the next 15 years, the period of gradual elimination of tariffs. The combined action of these two processes on small agricultural producers will generate in the short and medium term an increased number of evictions of peasants working small parcels of land (campesinos), and their migration to urban centres or the US (Calva 1991,

1992a, 1992b; Pradilla 1993b). The number of these new peasant migrants is calculated to be from 10 to 15 million in the medium term.

The basic means of peasant eviction will be, first, the concentration of agricultural property in the hands of capitalist businesses (Mexican, multinational or mixed) through the sale, rent or the subordinate association of peasants. This will occur in the highly fertile areas, appropriate for mechanized agricultural techniques, endowed with modern infrastructure and with adequate transportation to domestic and foreign markets, for the production of consumer goods or raw materials which are of interest and profitable to the domestic market, the North American bloc or other countries, and which are competitive. The proletarianization of labour resulting from the expansion in production will not be able to absorb the quantity of displaced peasants, in conditions of rapid technological change. The second means of eviction will occur in the lands which are 'marginal' for competitive production and high technology or poorly located with limited territorial connection to domestic and foreign markets. Here there will be displacement of those peasants who are backward, autarkic and impoverished, who will tend to abandon their lands. Also in line for displacement will be those peasants who have been producing for the domestic market in backward conditions with low productivity, who will not be able to support themselves under the competition from products imported for the North American bloc and other countries. In their place will be an economic and demographic desert in the abandoned or depressed areas, the territories of extreme rural poverty.

Transformations in rural areas will be territorially very unequal, substantially modifying the map of population distribution, the economy, income, and infrastructure which, being privatized, will follow the path of neoliberal capitalist modernization. This modification will continue the pattern of territorial inequality, created historically by similar relationships with the domestic market, but it will be exacerbated by the effects of rural decomposition arising from domestic neoliberal modernization and the international free market. The forms of agricultural social property and the actions of the state will no longer tie the peasants to the land, nor will these mitigate the forces that tend to evict them, as they did in the past. The most affected areas will be those inhabited by indigenous Mexicans: the central and southern parts of the country, the forests and mountains, and the north—central semi-desert areas.

The text of NAFTA did not include measures to establish the free mobility of the workforce among the three countries, nor to try to resolve the situation of the Mexican immigrants to the US, who currently number 1.5 million per year (*La Jornada*, 4 June 1993) and could continue growing due to more peasants being evicted from their land. Nor has the Mexican government foreseen the need for new policies to stop the disappearance of small agricultural plots of land. On the contrary, it considers that those agricultural units

ought to disappear which are 'inefficient' and 'non-competitive' at an international level. The explicit objectives of the counter-reform were the concentration of land holdings and the eviction of surplus rural population. There were no provisions for new programmes for employment, infrastructure, housing and services to respond to the growth of migration to the cities, which will aggravate the existing deficits in these areas. The NAFTA text exhibited an idealistic faith that equilibria would be achieved by the 'invisible hand' of the 'free' domestic and international market.

DEINDUSTRIALIZATION, NEW INDUSTRIALIZATION AND UNEQUAL URBAN CONCENTRATION

The accumulated effects of the long-term economic crisis which began in the 1970s and has deepened since 1982, and the subsequent complete freeing of trade, have resulted in the destruction of many small and medium-sized industries linked to the domestic market which were unable to withstand competition from imported products. The latter are growing much faster in amount than Mexican exports, casting doubt on government policy projections for expected developments in foreign free exchange (Ramírez and Pradilla 1993). Nor has such policy taken into account the long-term need for cheap capital and credit in order to achieve technological modernization. The current recession and/or slow recovery in the developed countries (especially in the US), the resulting contraction in demand for Mexican exports, the persistent domestic economic contraction and the drop in income and consumer demand for the majority of the Mexican population have emphasized this trend, creating conditions for a depression of whole areas of manufacturing, the closing of thousands of businesses, or the conversion of many businesses into marketers of imported products (Maya 1993; Chávez 1993). We are witnessing a considerable process of deindustrialization, concentrated in the metropolitan areas (Mexico City, Monterrey, Guadalajara and Puebla) and in other smaller cities. Since the growth of the Mexican market is at the heart of US interests in NAFTA, this effect of deindustrialization will deepen as the agreement goes into effect.

Meanwhile, there has been a new industrialization since 1975 whose basic sector has been the *maquiladora* export industry, located principally in the cities on and near Mexico's northern border (Pradilla 1993b, Ch. 3). The new industrialization's structural characteristics have produced conditions favouring concentrated, accelerated and anarchic urban growth, full of contradictions and problems for the cities' impoverished workers and their population which emigrates to the US. However, the dynamic of this form of production is subject to its domestic structural limits and to short- and long-term eco-

nomic cycles, especially those of the US, as is demonstrated by its current 'deceleration' (*El Financiero*, 16 June 1993). For this reason, that dynamism does not compensate for the loss of jobs caused by other components of the process.

NAFTA will have two different effects on industry at its locales. First, it will promote growth in the maquiladora industry, which combines the major relative advantages for multinational capital, especially the high salary differentials between Mexico and the other two NAFTA countries (Valle 1993) and the direct and indirect state subsidies offered by the Mexican government. The border cities will reinforce another of their basic advantages: their physical proximity to the industrial and urban conglomerates of the southern US, which are their employers and most important clients. But a relative increase in salaries could be produced in these cities, which would favour a greater territorial scattering for labour-intensive jobs, especially in nearby rural areas, as employers seek to avoid the higher costs generated by growth in the border cities. The lack of integration of local and national industry, maintained and deepened by NAFTA, the low salaries of Mexican labourers and the appalling living conditions prevailing in the cities where the maguiladora industry is located, preclude many hopes regarding that industry's role in the region's development, though they might benefit a small number of the region's entrepreneurs (Pradilla 1993b, Ch. 3).

Second, NAFTA will also permit a limited group of national and multinational monopolies located in Mexico and having the appropriate economic and financial conditions as well as competitive conditions of scale and technology to expand their joint ventures with US businesses for exports and imports (Maya 1993; Chávez 1993; Tamski, 1993). This process will be based in the metropolitan areas where most such monopolies are located and where there are the highest indices of national productivity: these constitute the urban system dominated by Mexico City, Monterrey and Guadalajara (Chávez 1993, p. 18), but some secondary urban centres could also be included, where nuclei of modern high-technology industry are located, such as Hermosillo, Saltillo, Chihuahua and Aguascalientes.

We can assume that under NAFTA the new industrialization will continue to be concentrated in Mexico's northern border cities, in the cities of the second ring of maquiladora plants, in the central urban system and in the metropolitan areas of Monterrey and Guadalajara. Deindustrialization can be expected to continue in Mexico's traditional industrial cities, especially in the metropolis and in other cities where disappearing limited existing industry will not be replaced by anything. In the large urban centres having complex structures of production, the two processes will combine: destruction of noncompetitive small and medium-sized industries and growth and modernization of large industries and high-tech services.

In the Mexican cities on the US border which are home to maquiladora industries and international exchange (especially Ciudad Juárez, Tijuana, Matamoros and Reynosa) the probable growth of the maquiladora industry and an increase in flows of merchandise and people will create conditions for new factors of binational urban concentration, derived from the cities' growth and connection to US 'twin' cities, even though these are fragmented by the border. Tijuana (linked to San Diego and its Californian urban extensions), Reynosa and Matamoros (linked to Texas cities and related to the Monterrey—Saltillo urban extensions will reach megalopolis size. Asymmetries in development and division of work between the parts of the megalopolis will leave concern for the maquiladora industry and for the poorest-paid majority population as Mexico's responsibility, resulting in an increase in social and infrastructural problems and in the country's deficit, as well as in deteriorating quality of urban life.

For Mexico as a whole and for the metropolitan area, the big loss will be in the generation of jobs, since growth in the maquiladora industry and in competitive high-tech businesses will not generate as many jobs as those lost due to rural depopulation, massive closures of backward companies and the technological modernization of monopolies. In sum, there will be a greater concentration and centralization of capital and a greater urban concentration in the metropolis, in the major maguiladora cities and in a small number of points of dispersion. But our analysis should also include the possibility of a return to the US by large companies or maguiladoras which relocated to Mexico, especially those in high-tech industries such as electronics and automobile manufacture, due to a reduction in Mexico's relative advantages: technological change may reduce the extensive manual labour required, or domestic production may no longer be an advantage for the Mexican market. In the case of the Asian and European maguiladora industries, a return to the country of origin could occur because NAFTA's 'rules of origin' hinder their operating in Mexico for the purpose of invading the US market.

Mexico's seaports and border entry points will be additional poles of economic and urban growth, though this will be limited due to their intermediary role. The global alternative taken by internationalization will define which of these grow in importance and which will maintain their current situation or disappear as such. But these commercial nodes, subject to technological modernization, do not have a great impact on local or regional employment, income or productive activity. Under NAFTA it seems unlikely that they will be able to compete with or replace the large US ports due to their limited capacity and their qualitative and quantitative shortcomings in available transportation, especially the antiquated railroad.

THE RESTRUCTURING OF THE GENERAL CONDITIONS FOR CAPITALIST ACCUMULATION

In either of the two models, regionalized or globalized internationalization, one of Mexico's bottlenecks is caused by the quantitative and qualitative shortcomings in general conditions for capitalist accumulation and by the country's technological backwardness in terms of the railroads, highways, airports and seaports, means of transportation (Calderón and Gutiérrez in El Financiero, 29 May 1993), electronic communications, electricity, drinking water and disposal of industrial wastes, which are necessary to sustain entrepreneurial activity. For this reason, the maguiladora industry tied to the US market prefers the Mexican border cities, where the distance and time needed to reach their territory is nil and it can use its own means of transportation and communication, adjusting itself to the 'just-in-time' systems. But there are also shortcomings in the border cities in terms of general conditions (especially in international tollbooths, urban and regional transit, drinking water and sewerage systems) which are constantly aggravated due to the expansion of the maquiladora industry and because international capital does not assume the costs of investment and operation of these services, while local governments do not have sufficient resources to cover such costs.

It is possible that state and private investment, facilitated by the privatization of infrastructure and public services, could initiate a process of expansion and modernization of the general conditions for the accumulation of capital. But this action will be conditioned and determined by the relationship with the poles of growth generated by the internationalization and profitability of investment in them. That action will tend to be increasingly selective, unequal and fragmentary, being concentrated in metropolitan areas, maquiladora cities, border ports for commerce and tourism and areas exporting high-productivity agricultural plots, where there will be conditions for profitability. Areas outside this scheme will continue in their historic backwardness, or they will begin a process of increasing infrastructural underdevelopment. The areas and urban centres affected in passing by intercommunications will experience relative benefits, though the current trend is to avoid them by means of bypasses and systems of long-distance transportation.

The decrease in public investment will tend to be (and already is) concentrated in the infrastructure for accumulation of capital and the more dynamic regional and urban areas, leaving the depressed areas in greater abandonment, at the same time as its structural action on the general conditions of reproduction of the population for poor urban areas and those that are economically backward will continue to decrease. In the border cities local and federal government should assume the costs of social reproduction for the growing labour force in the *maquiladora* industry which are not assumed by

multinational capital. In the past the inability of these cities to handle such issues has given rise to fragmented cities, where the majority of the population is excluded from satisfying essential needs. This situation will tend to be exacerbated.

In the scenario of economic integration within the North American bloc, whether broad or restricted, the current predominance of north-south networks and flows determined by the historical process of Mexico's 'silent' integration with the US will be reinforced, and will extend south toward Mexico's border with Central America. If the development were in terms of real globalization (the least likely alternative so far), the situation of the Pacific Basin, the Asian bloc and that of the Gulf Basin in relation to the Caribbean and the European Community, these could lead to a more integrating development, with the extension of east-west networks and flows, which could even lead to east-north and west-north networks and flows. The secondary infrastructural impact on the intermediary territories would be much greater, though unequal and fragmentary. In any of these alternatives, the loser regions (Lipietz 1993) in the internationalizing economic race will not have the necessary public or private investments to develop conditions for the accumulation of capital or social reproduction, and thus their relative backwardness will increase.

THE LABOUR FORCE: THE BIG LOSER

The Canadian and US workers' opposition to NAFTA is based on a number of considerations: results of the Agreement can bring about a significant displacement of businesses to the south of the bloc, with a resulting loss of jobs. Other factors are the huge difference between the real salaries of Mexican labourers and those of the other two partners, and their constant trend towards relative decrease (Valle 1993); control of Mexican workers by the labour unions which are linked in a corporate relationship with the state; permissive Mexican environmental legislation and its lax enforcement; the smaller cost for foreign capital of land, buildings, infrastructure and services, generously subsidized by the Mexican government; and the concessions made by the current government as part of its project of development based on foreign capital and its relationship with the world market. Nevertheless, there are two counter-trends: the rapid expansion of exports to Mexico from its two partner countries, reflected in past years by the growing deficit in Mexico's balance of trade (Ramírez and Pradilla 1993) which will doubtless continue, giving energy to industry, commerce and transportation north of the Rio Grande; and the barriers to the transnationalization of Mexican capital derived from the low productivity of Mexican workers who among other things, are poorly paid, poorly educated, poorly housed, and have poor medical care.

All analyses point to a decline in living conditions for the majority of the Mexican population, who are trapped in extreme poverty or indigence (CEPAL 1990, Hernández 1992) in the countryside and in the cities; an increasing breakdown of the class of peasants owning small plots of land and their migration to cities or abroad; the growth of urban unemployment (Rendón and Salas 1993); increased exploitation by means of relative surplus value; stagnation of salaries in absolute and/or relative terms; a greater concentration of income and wealth; a skewed increase in urban growth; greater regional and urban inequality in the distribution of productive, social, public and private investment, ruled by the blind laws of the market; and fewer opportunities for the improvement of material living conditions.

The trend will not be towards a substantial rise in Mexican salaries to match North American salaries, as claimed by NAFTA promoters, since that would eliminate Mexico's basic comparative advantage of cheaper labour; nevertheless, a small salary improvement can be expected, especially in Mexico's northern border area where the minimum salary will prevail if the government eliminates the wage ceilings which have been applied for the last 15 years. More likely would be a relative decrease in salaries for Canadian and US workers, sometimes voluntarily accepted to avoid or minimize the relocation of businesses to Mexico with corresponding unemployment in the north. This effect of the Mexicanization of labour relations has been observed in terms of the labour of Mexican migrant workers in the south of the US (Lipietz 1993).

The big losers under NAFTA will thus be the three countries' workers. The Parallel Agreement on Labour, negotiated after the presidents signed NAFTA, does not resolve these contradictions in favour of the workers; it does not attempt to equalize labour relations and salaries among the member countries, it does not guarantee compliance with Mexican labour legislation by the countries' investors; nor does it protect working conditions, salaries or living conditions for Mexican migrants to the US and Canada (Arroyo et al. 1993, pp. 273–7).

CONCLUSION: AN UNEQUAL DEEPENING OF TERRITORIAL DEVELOPMENT

As a product of the historical pattern of accumulation of capital through import substitution and of a decade of neoliberal structural adjustment, as well as the lack of economic dynamism currently left by a long wave of recession in the Mexican economy, GDP and national production are concen-

trated in the Mexican cities along the US border, the central urban system surrounding Mexico City, the Monterrey-Saltillo urban complex and the metropolitan area of Guadalajara, and the Mayan tourist region, to which should be added other tourist enclaves. The rest of the regions have a weak representation in the national GDP, a percentage of national production far below their percentage of the country's population and territory, and lack dynamic growth. The geography of marginalization roughly coincides with these backward areas (CONAPO 1993).

In the new phase of internationalization driven by NAFTA, all roads will lead to a deepening of inequalities in territorial development. Historically quantitative distances between territories will increase and reach new qualitative levels as a result of structural differentiation in rhythms of economic growth or shrinkage, deepening technological gaps between regions; differences and disarticulation in the general conditions of social reproduction, privatization and mercantilization of all means of growth and development; the disappearance of state policy and action on the development of regions and cities not included in the processes of internationalized accumulation of capital and the presence of regional or international determinations beyond the territorial sovereignty of Mexico.

As in the historical pattern of accumulation of capital, Mexico's reinsertion into the North American bloc under NAFTA will result in some winner regions and cities, and many losers. Their distribution will be similar to the current pattern, but future growth will be more unequal; thus the distance between the winner areas and the backward regions and cities will increase. Important differentiations will emerge in those areas which are now economically dynamic. The more backward areas populated by peasants and indigenous Mexicans have no prospect for survival or overcoming their stagnation. In the dynamic areas, the winners will be the monopolistic holders of capital, owners of businesses and that part of the middle class connected to them, without workers gaining much; in the backward areas all the social classes will be negatively affected, including the middle class and the local small and medium-sized business owners, but the most affected will be industrial and agricultural workers and peasants working small plots.

The interest in the rapid signing of NAFTA came from the Mexican neoliberal government bureaucracy and from the big national and multinational monopolies. However, these sectors seem to have no interest in consulting the majority of the working population or of the mass of small and medium-sized domestic producers, who have had neither information about the negotiations nor the chance to participate in the discussion or negotiation of NAFTA which, like the whole set of neoliberal policies, has been inflicted on Mexican society by authoritarian fiat (Pradilla 1990).

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