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NAFTA and the Politics of Transportation

by Kristin Dawkins, February 1993

The North American Free Trade Agreement, as drafted by the Bush Administration, could make Mexico one of the world's largest trade centers and transportation hubs. NAFTA proponents claim that increasing the transportation of products will improve economic conditions throughout the region. But this is doubtful.

In a report to the U.S. President and Congress last year, the Congressional Labor Advisory Committee for Trade Negotiations and Trade Policy predicted NAFTA would "liberalize land transportation and certain landside maritime activities at the expense of U.S. domestic transportation carriers and their employees, and at the risk of compromising safety throughout our transportation network. This is unacceptable and ... the draft agreement must be renegotiated."

U.S. President Bill Clinton has said, however, that he will not renegotiate the NAFTA, although he supports stricter standards for Mexican drivers operating vehicles in the U.S. Mexican licensing is not presently based on the same rigorous certification required of professional U.S. drivers. But even if regional licensing requirements are upgraded to U.S. standards, "anyone who has witnessed first-hand the safety hazards that continue to plague U.S. highways" can affirm the federal regulatory and enforcement scheme for highway safety is already ineffective, says the Labor Advisory Committee. Faulty maintenance of aircraft is also a problem in the U.S. Yet recent de-regulation of the industry would allow a new Tijuana facility to contract out repair work to sources not certified by the Federal Aviation Administration.

One section of the NAFTA would allow 100% foreign ownership of Mexican port facilities for enterprises that handle their own cargo. Designed to encourage investment in transportation infrastructure, this NAFTA provision could ruin the Los Angeles port, the largest in the U.S. Another section of NAFTA would allow U.S. trucking companies to take-over 100% ownership of Mexican trucking companies after 10 years. Since Mexican carriers do not have to pay workers' compensation and unemployment benefits, nor must they meet the stringent U.S. licensing and safety regulations, nor pay wages nearly twenty times higher, it is easy to imagine how this provision could lead to a trucking industry dominated by a few huge U.S.-owned companies based in Mexico.

Likewise, larger rail and air interests anticipate new opportunities at the expense of smaller entrepreneurs. NAFTA's "accession clause" would allow any country in the world to sign onto the agreement providing it accepts the text with no re-negotiation and that the original three parties accept the newcomer. Already, Chile, Australia, New Zealand and a number of Asian countries have expressed interest in acceding to NAFTA. The chief executive officers of the largest shipping companies in the world praise the NAFTA, noting that "anti-trust immunity" would give "fewer carriers" "a wider berth on how we deal with our competition." Union Pacific, the U.S. railroad with the most freight routes into Mexico, has offered to purchase shares of Mexico's national railway. Meanwhile, the airports of Dallas/Fort Worth, New Orleans, and Houston are "jostling for position" to compete with Miami for the anticipated southern cargo routes to Mexico and the rest of Latin America.

Trade in natural resources would also expand under NAFTA. The current text reinforces rules obliging Canada to export gas, water and hydro-power to the U.S. in proportions no

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less than that supplied during the prior three years, even in the event of a national shortage. Already, major construction firms are building immense "megaschemes" for canals, pipelines and powerlines. Foreign investors in Mexico would also be allowed to participate in "non-basic" activities including refining, independent power production and energy transportation.

With more movement of goods across U.S. highways as a result of NAFTA, energy demand and pollution would increase commensurately. The U.S. budget for the costs of automotive transport already stands at $71 billion, only a third of which is now accounted for by truck owners' tax contributions. A more accurate budget to reflect externalities of automotive transport would account for the costs of air pollution, the risks of climate change, health and safety risks from congestion and accidents, noise pollution and vibration damage, the security costs of importing oil, and the almost incalculable losses due to paving 2% of all U.S. land. This budget, as calculated by the World Resources Institute, actually reaches $300 billion annually.

NAFTA does nothing to steer North American transportation energy use in a more sustainable direction. The section on automotive goods eliminates barriers to investment in the production of combustion-engine vehicles in low-cost Mexico. The rules of origin encourage ever-wider sourcing of ever-cheaper parts. And NAFTA's modification of the fleet content definition, found in [the U.S.] Corporate Average Fuel Economy (CAFE) standards, would allow the big automakers to effectively block citizens' campaigns for stronger miles-per-gallon requirements.

At a time when the distance and relationship between consumers and producers is widening -- food in the U.S. already travels an average of 2,000 kilometers before it is eaten -- we need trade policies that improve the quality of our food, protect our environment and reduce energy consumption while promoting entrepreneurship. Unfortunately, NAFTA does just the opposite.