

## NAFTA a letdown for border region

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### Treaty was oversold, some evaluators say

**By Diane Lindquist**

STAFF WRITER

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After 10 years, the North American Free Trade Agreement has failed to deliver the cross-border linkages and overall economic growth that were expected in the San Diego-Baja California region.

Before the treaty's 1994 implementation, local NAFTA advocates predicted manufacturing plants in Baja California run by San Diego administration centers would boost growth on both sides of the border.

That hasn't happened, area academic and civic leaders said last week at a University of San Diego conference to assess the impact of the historic trade pact forged by the United States, Canada and Mexico.

"We got it wrong," San Diego Regional Economic Development Corp. vice president W. Erik Bruvold said.

Instead of one robust, internationally connected economy, Bruvold said, "we have two dynamic economies that benefit from each other but are by no means dependent on each other."

San Diego's main industries – biotechnology, telecommunications and defense – don't have a close relationship with activities in Baja California, he noted, nor does it appear they will in the future.

"All have the potential for integrating into operations with Mexico, but it's not happening," Bruvold said.

NAFTA's most positive impact on the cross-border region, he said, has been on trade activity related to Mexico's maquiladora manufacturing industry and to cross-border consumer spending. Both activities have prompted growth in employment but mainly in low-wage, entry-level jobs.

Although statistics vary widely, 40 percent to 60 percent of Mexicans crossing the border do so to shop, spending between \$1.6 billion and \$5 billion in San Diego annually.

And, while maquiladoras in Baja California boomed after NAFTA, reaching an output of \$14 billion annually, the trade pact "caused havoc in the industry," said John Riley, a long-time maquiladora leader and business operator.

Mexican officials stalled about making the structural changes NAFTA mandated for the maquiladora program. And when they did, Riley said, the new rules were capricious and unclear. Along with high costs and a U.S. recession, the changes forced a fifth of operators to close down or move to cheaper locales such as Central America and China.

Nevertheless, current trade through the Otay Mesa and Mexicali commercial ports of entry far exceeds the level before NAFTA.

In many respects, officials of all three countries oversold the North American Free Trade Agreement, and the treaty came to symbolize things that weren't in the pact.

"Less than a third of Americans believe it's a good thing. And there are similar results in Mexico and Canada," Kenn Morris, director of CrossBorder Business Associates, said.

"It's 2004, and we still have presidential candidates say NAFTA is the evil of our economy," Morris said. "At the state and, especially the local level, there's a lack of interest in NAFTA or Mexico."

For the first time, NAFTA put a spotlight on the border, the poorest region of the United States, noted Paul Ganster, executive director of San Diego State University's Institute for the Regional Study of the Californias.

"A few benefits were extended to secure passage, and then the region was ignored," Ganster said. "During NAFTA, the income disparity between the border region and the rest of the United States increased."

In addition, there is more traffic and more pollution due to increased waits at the ports of entry, and, after 9/11, the region is considered more vulnerable to terrorist attacks.

"Many people believe the border region is absorbing costs but not receiving the benefits of NAFTA," Ganster said. "There's a feeling the border is subsidizing economic advances that benefit the rest of the country."

Still, he said, the trade pact, with its side agreements on labor and the environment, "was a great achievement as far as it went."

Richard Feinberg, a professor at UCSD's Graduate School of International Relations and Pacific Studies, said NAFTA needs to be deepened and widened to address, for instance, international labor migration.

"It was a beginning. There were lots of mistakes and a lot of unintended consequences," he said.

Many of these are being addressed as governments work to improve the North American Free Trade Agreement and to create a Central America Free Trade Agreement and a Free Trade Agreement of the Americas.

The challenges are great and attempts seem stalled at the moment, Feinberg said. "These are very big, long-term projects. . . . I couldn't predict whether they will occur in this century."

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■ Diane Lindquist: (619) 293-1812; [diane.lindquist@uniontrib.com](mailto:diane.lindquist@uniontrib.com)

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