We affirm.

Our Sole Argument is Transitioning Mexico

William Orme of the University of Texas outlines in his book "Understanding NAFTA" that had NAFTA been rejected, it would have provoked capital flight, pushing Mexico towards a low-wage strategy. Conversely, he concludes that NAFTA is the key to "lead Mexico out of the third world".

NAFTA is facilitating this transition in four ways.

First, by pricing down energy.

Domm '16 of CNBC writes that Mexico's oil production was on the decline and too low to sustain the country, concluding that the future of its production depends on increased investment. However, Bonafe '16 of the Energy Charter Secretariat writes that Mexico passed a constitutional reform in 2013 to privatize the Energy Sector, allowing private parties to enter and invest in Mexico. That's important, because Agren '13 of USA Today writes that the current model can't sustain cheap oil for those in the country, needing foreign help to access new oil fields. Fortunately, Slav '18 of USA Today writes that NAFTA's investor-state protections are necessary to facilitate the investments needed for the reform. Overall, Xhemalce '14 of the World Petroleum Congress impacts that this energy reform will eradicate both energy and extreme poverty by 2035.

Second, by incentivizing investment

Alan Russell of Tecma University writes that NAFTA's rules of origin mandate a certain portion of a good be produced in North America to access preferential trade treatment. Daniel Lederman of Stanford University writes in 2005 that these laws incentivize foreign direct investment into Mexico because Jose Cordova of INTAL warrants in 2006 that rules of origin lock producers into the region so the goods they make get preferential treatment, even if production is cheaper elsewhere.

Lederman quantifies that NAFTA increased FDI in Mexico by 72%. Critically, Ivan Barrios of the Offshore Group explains in 2012 that FDI decreases poverty via modernization in manufacturing, creating jobs for Mexicans who otherwise wouldn't have one. Overall, Cesar Calvo of Oxford finds in 2006 that doubling FDI in Latin American countries reduces the poverty rate by 5.3%.

Without American participation in NAFTA allowing access to the American market, foreign companies wouldn't invest in Mexico.

Third, by growing wages.

Juan Valdivia of the Economic Commission of Latin America explains in 2005 that Mexico initiated an "export-boom" after NAFTA's implementation, referring to its massive increase in potential to export goods, inspired by sudden access to the American market. Indeed, Guillermo Alvarez of Case Western Law quantifies in 2000 that Mexican exports to the U.S. increased 140% post-NAFTA.

The jobs created by this new export industry pay higher wages, as Orme elaborates that with NAFTA's long-term guarantee of openness to American investors, the risks of building high-tech, high-wage export industries are minimized, facilitating a transition away from low-paying, assembly-based maquiladoras. Specifically, the Council on Foreign Relations writes in 2017 that NAFTA has created hundreds of thousands of manufacturing jobs. Moreover, the World Trade Organization finalizes in 2008 that in Mexico, export-oriented jobs pay wages 39% higher than the rest of the economy.

Fourth, by facilitating infrastructure.

Clifford Russell of the IDB writes that before NAFTA, 28,000 Mexicans died prematurely due to a lack of clean water access in a single year.

Fortunately, Jan Gilbreath of the CSIS writes in 2004 that NAFTA created the North American Development Bank to build environmental infrastructure in Mexico for basic needs like water treatment. American participation in NAFTA is critical, because Geronimo Gutierrez of the Wilson Center writes in 2015 that the American EPA funds millions of dollars and plays a significant role in the bank.

Ultimately, Sol Garcia of the Guardian writes that over 10 million Mexicans lack access to safe drinking water, spending 20% of their income on water alone. Fortunately, Gutierrez impacts that the bank has given access to clean drinking water for 4 million Mexicans and quadrupled wastewater sewage treatment.

For these four reasons

Marco Hernandez of the University of Nottingham impacts in 2006 that because of liberalization, unemployment rates in Mexico fell by 30%. Overall, Gordon Hanson of the University of Chicago quantifies in 2007 that due to tariff changes in the 1990s, the number of households in poverty reduced by 3%.

To preserve prosperity, we affirm.

This is explained by MIT's Economic Encyclopedia, which finds that Mexico maintains 211 comparative advantages in production of goods relative to the U.S., rendering them a highly attractive partner in trade.

First, by protecting intellectual property.

While other agreements regulated basic intellectual property laws, Park of American University outlines in 2007 that NAFTA went beyond that, providing better protection of patents. Critically, Lederman of Stanford University writes in 2005 that NAFTA laws provide incentives for research and development, because Park indicates that patents allow for innovators to recover research costs by giving them price-control on their invention to make a net profit, which incites further competition. Gonzalez of the

National Institute of Statistics and Geography writes that from 1992, the year prior to NAFTA ratification, to 1999, R&D expenditures as a proportion of total income increased by 25.9% for Mexican manufacturing firms. That's important, as innovation and technology from R&D increases the productivity of workers and their value within an economy, leading Acevado of the World Bank to quantify in 2003 that because of NAFTA, R&D increased Mexican wages by 2%.

This high-wage providing, export-oriented market will continue to expand, as Forbes Magazine finalizes in 2015 that in export intensive industries like manufacturing, Mexico has continued to see solid growth because of its integration with and dependence on the U.S. market.

Extra links

First, by improving their workforce.

The World Economics Forum in 2017 highlights that Latin American firms, particularly in Mexico, face severe skills shortages, with half of these firms unable to find the candidates they need, preventing the emergence of new growth engines.

Fortunately, Anderson '18 of Forbes writes that TN visas under NAFTA allow for firms to transfer skilled employees back and forth across the border.

These visas directly fill the skills gap.

Alarcon '7 of UNESCO quantifies that more TN workers go to Mexico than the number of workers leaving Mexico. Specifically, he finds that while Mexico only sends around 1,000 workers to the other NAFTA countries annually, they receive 282,000 skilled workers from America each year.

US participation is key, as Anderson concludes that if NAFTA were to end, so would the TN visa.

Maquiladoras bad, go down link

Without NAFTA, Mexico was forced to adhere to the conventional wisdom on attracting investment as a developing country, as Orme furthers that into the 1980s, Mexico over-relied on maquiladoras pre-NAFTA, referring to low-wage, low-tech assembly industries that focused on making parts out of raw materials to ship to the U.S. for assembly.

John Sargent of the University of Texas warrants in 2003 the change to the system brought about by NAFTA article 303, a provision put in-place in 2001: maquiladoras previouslyv received duty-free treatment, meaning they paid no taxes on the materials they imported. Once that privilege disappeared, maquiladoras experienced a sharp decline, plummeting 9.2% in the first year.

Consequently, Orme finalizes that post-article 303, NAFTA's long-term guarantees to American investors provide enough confidence for Mexico to transition away from maquiladora plants, towards the building of higher paying industrial jobs, resulting in much higher wages for Mexican workers across the board.

Cards

Orme, William A. Understanding NAFTA: Mexico, free trade, and the new North America. University of Texas Press, [1996],<https://books.google.com/books?hl=en&lr=&id=O2wOjChZGs0C&oi=fnd&pg=PR7&dq=mexico+needed+nafta&ots=XWk_bcTquW&sig=fruK6I2-_jsTS0DEFDWuiEMuB64#v=onepage&q&f=false>

Without NAFTA, Mexico would probably have *pursued* most of this agenda—without, of course, giving preferential access to American companies. **But rejection would have set Mexico back hard. NAFTA's defeat would have *provoked capital flight*, weakening the peso and pushing Mexico back in the direction of a low-wage, export-assembly strategy.** And **that**, in turn, **would have left little margin for enforcing strict environmental and workplace safety rules**. **The dangers of protectionist measures on both sides of the border would have discouraged trade and investment.** In concept, **NAFTA is both simple and**—from an American stand- point—seemingly **unobjectionable**. **Mexico** agrees to do almost everything of an economic nature that the United States ever wanted it to do. In return it **gets reciprocal access to the American market, plus the steady influx of outside capital that** the imprimatur of **a trade treaty with Washington** virtually **guarantees. That extra cash is crucial**. **It's the difference between a Mexico perpetually dependent on low-wage assembly jobs and a Mexico able to develop its own markets and skills. It's the difference between economic growth that barely keeps pace with population and a sustained expansion that would propel Mexico into the first rank of newly industrializing nations.** It's the difference, over time, between South Korea and the Philippines, between Spain and Morocco. And **it's the key to** Salina's professed ambition to ***lead Mexico out of the third world and into the first***.

Valdivia, Juan C.R. Mexico:Economic growth exports and industrial performance after NAFTA . Naciones Unidas Cepal. 2005 http://archivo.cepal.org/pdfs/2006/S0600023.pdf

Trade liberalization, crowned by NAFTA, has been associated with Mexico's dynamic insertion into global markets and its rising importance in non-oil exports. Studies have shown that since 1985, and particularly since 1995, **Mexico has ranked**

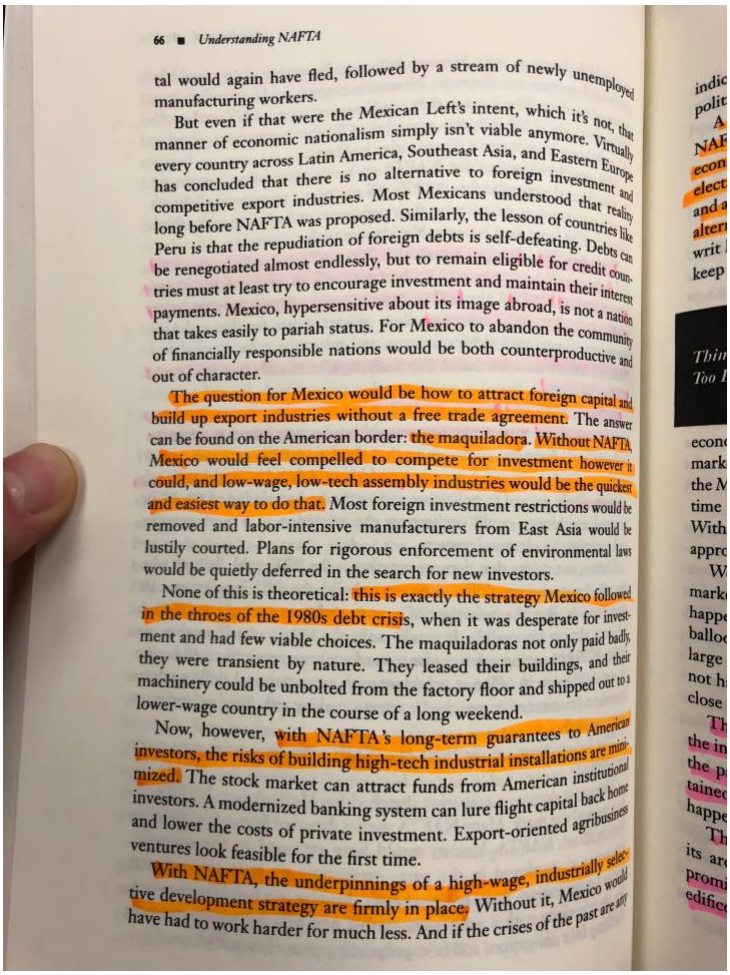
among the top ten countries in terms of increasing its share in the world (non-oil) market (Moreno-Brid and others, 2005). This positive performance is particularly evident in the evolution of its manufactured exports. As Table 1 shows, from 1985 to 1994 Mexico ranked fifth among countries with the **largest increases in their share of world manufactures exports**; **during 1994ñ2001** (the most recent year for which such comparative data are available) **it moved to second place, just behind China.** Mexico's export drive in manufactures started during the late 1980s, before NAFTA came into force. The boom was partly rooted in the trade liberalization processes that began at that time, but also in the sectoral development programs initiated during the previous phase of state-led industrialization. **NAFTA opened an unprecedented window of opportunity to export to the US, the largest world market.** In 1994, total exports represented 16% of Mexicoís real GDP. By the year 2000, this figure had more than doubled, reaching 35.1%. Although subsequently it declined somewhat, in 2003 it still stood at 34.9%. **The export drive was based on the dynamism of manufactured exports, which meant a shift for Mexico**, whose main exports had traditionally been primary commodities- shrimp, coffee, cotton and tomatoes. **In the late 1970s, Mexico was fundamentally an oil-exporting economy.** Nonetheless, as shown in Graph 1, by 1988 manufactures already accounted for more than 50% of the countryís total exports, and today their share exceeds 85%, as their rapid growth has more than compensated for slack performances in exports of oil, minerals and agricultural commodities.

Alvarez, Guillermo A. The mexican View on the Operation of NAFTA for the Resolution of Canada-US-Mexico Disputes. Canada-United States Law Journal. Case Western University. 2000.
https://scholarlycommons.law.case.edu/cgi/viewcontent.cgi?article=1496&=&context=cuslj&=&sei-redir=1&referer=https%253A%252F%252Fwww.google.com%252Furl%253Fq%253Dhttps%253A%252F%252Fscholarlycommons.law.case.edu%252Fcgi%252Fviewcontent.cgi%253Farticle%25253D1496%252526context%25253Dcuslj%2526sa%253DD%2526ust%253D1529171806312000%2526usg%253DAFQjCNHnAfNkX4wARi2R0drIKrNN1yBrAQ#search=%22https%3A%2F%2Fscholarlycommons.law.case.edu%2Fcgi%2Fviewcontent.cgi%3Farticle%3D1496%26context%3Dcuslj%22

So when you think of Mexico-U.S. disputes, you have to think of them in the context of a 140 billion dollar relationship. **Increase in total trade is 122.3% since the NAFTA** was implemented and **Mexican exports to the United States have increased 140% since the implementation of the NAFTA**. Mexican imports from the United States have also grown at the considerable rate of 105.5%. Peaks in trade in the case of Mexico and Canada as compared to the rest of the world can be explained primarily as a result of the NAFTA. If you look at trade figures after 1994, and you look at Mexico's shares in total U.S. purchases, it is a direct result of the NAFTA. If you compare Mexico's exports to the United States with the exports of all of Latin America, the figures are quit e impressive.

Orme, William A. Understanding NAFTA: Mexico, free trade, and the new North America. University of Texas Press, 1996.

<https://books.google.com/books?hl=en&lr=&id=O2wOjChZGs0C&oi=fnd&pg=PR7&dq=mexico+needed+nafta&ots=XWk_bcTquW&sig=fruK6I2-_jsTS0DEFDWuiEMuB64#v=onepage&q&f=false>



66 ■ *Understanding NAFTA*

tal would again have fled, followed by a stream of newly unemployed manufacturing workers.

But even if that were the Mexican Left's intent, which it's not, that manner of economic nationalism simply isn't viable anymore. Virtually every country across Latin America, Southeast Asia, and Eastern Europe has concluded that there is no alternative to foreign investment and competitive export industries. Most Mexicans understood that reality long before NAFTA was proposed. Similarly, the lesson of countries like Peru is that the repudiation of foreign debts is self-defeating. Debts can be renegotiated almost endlessly, but to remain eligible for credit countries must at least try to encourage investment and maintain their interest payments. Mexico, hypersensitive about its image abroad, is not a nation that takes easily to pariah status. For Mexico to abandon the community of financially responsible nations would be both counterproductive and out of character.

The question for Mexico would be how to attract foreign capital and build up export industries without a free trade agreement. The answer can be found on the American border: the maquiladora. Without NAFTA, Mexico would feel compelled to compete for investment however it could, and low-wage, low-tech assembly industries would be the quickest and easiest way to do that. Most foreign investment restrictions would be removed and labor-intensive manufacturers from East Asia would be lustily courted. Plans for rigorous enforcement of environmental laws would be quietly deferred in the search for new investors.

None of this is theoretical: this is exactly the strategy Mexico followed in the throes of the 1980s debt crisis, when it was desperate for investment and had few viable choices. The maquiladoras not only paid badly, they were transient by nature. They leased their buildings, and their machinery could be unbolted from the factory floor and shipped out to a lower-wage country in the course of a long weekend.

Now, however, with NAFTA's long-term guarantees to American investors, the risks of building high-tech industrial installations are minimized. The stock market can attract funds from American institutional investors. A modernized banking system can lure flight capital back home and lower the costs of private investment. Export-oriented agribusiness ventures look feasible for the first time.

With NAFTA, the underpinnings of a high-wage, industrially selective development strategy are firmly in place. Without it, Mexico would have had to work harder for much less. And if the crises of the past are any

http://carib-export.com/obic/documents/10b_e.pdf]

10 benefits of the WTO trading system. World Trade Organization. 1995.

Often, job prospects are better in companies involved in trade. In the United States, 12 million people owe their jobs to exports; 1.3 million of those jobs were created between 1994 and 1998. And those jobs tend to be better-paid with better security. **In Mexico**, the best jobs are those related to export activities: **sectors which export 60 per cent or more of their production, pay wages 39% higher than the rest of the economy and maquiladora (in-bond assembly) plants pay 3.5 times the Mexican minimum wage.**

World Economic Forum, 30 Mar 2017, "In Latin America, companies still can't find the skilled workers they need" //JN

https://www.weforum.org/agenda/2017/03/in-latin-america-companies-still-can-t-find-the-skilled-workers-they-need/

Latin America faces an acute skills shortage. Around 50% of formal Latin American firms cannot find candidates with the skills they need, compared to 36% of firms in OECD countries, according to Manpower. **This is a**

particularly pressing issue in Peru, Brazil and **Mexico**. A lesser known fact is that the sectors with the biggest skills gap in Latin America are the ones that are more beneficial for development and industrial upgrading, such as motor vehicle and advanced machinery. At the same time that Latin America has the world's highest skills shortage in the formal economy, **two out of every five young people are neither studying nor working, and 55% of workers in the region work in the informal economy**. Workers clearly do not have the skills that companies need, and companies are having a very hard time finding the talent they require to grow their businesses.

Alarcón, Rafael. "The free circulation of skilled migrants in North America." 2007, Migration without Borders, Essays on the Free Movement of People, UNESCO Publishing/Berghahn Books (2007): 243-259. <https://books.google.com/books?hl=en&lr=&id=APe9BAAAQBAJ&oi=fnd&pg=PA243&dq=tn+visas&ots=M6I11IebzF&sig=OqnXfX-QKLYEblBvEOnz7rebnS8#v=onepage&q=tn%20visas&f=false>

What comes as a surprise in the first place is that, **while Mexico receives the largest number of NAFTA workers of the three North American countries, it sends the lowest number of them.** Part of the explanation for this considerable imbalance is that, to work in the United States or Canada, one needs to speak English or French. In addition, we can take it that there are more professionally qualified persons in Canada and the United States than in Mexico. **There is also more Canadian and U.S. investment in Mexico than Mexican investment in Canada and the United States, so** that what the number of **workers with NAFTA visas reflects is** rather **that the economies of Canada and the United States are stronger than the Mexican economy.** The latter assumption seems to be borne out by the data provided by Mexico's National Institute of Migration back in 2003, when business visitors accounted for the bulk of those using the NAFTA visa. The Institute found that in 2003 **a total of 304,209 Canadian and U.S. citizens travelled to Mexico on NAFTA visas**, 75 per cent of whom were business visitors, 20 per cent professionals, 3.5 per cent investors and merchants, and only 1.5 per cent intracompany transferees.6 This suggests that skilled workers travel in North America more as part of corporate strategies than by their own decision.

Alarcón, Rafael. "The free circulation of skilled migrants in North America." 2007, Migration without Borders, Essays on the Free Movement of People, UNESCO Publishing/Berghahn Books (2007): 243-259. <https://books.google.com/books?hl=en&lr=&id=APe9BAAAQBAJ&oi=fnd&pg=PA243&dq=tn+visas&ots=M6I11IebzF&sig=OqnXfX-QKLYEblBvEOnz7rebnS8#v=onepage&q=tn%20visas&f=false>

Table 12.6: Number of TN Trade NAFTA visa holders admitted to Canada, Mexico and the United States by country of citizenship, 2003

Country of citizenship	Country of destination		
	Canada	**Mexico**	**U.S.**
Canada	–	21,676	58,177
Mexico	110	–	1,269
United States	5,657	282,533	–
Total	5,767	304,209	59,446

Source: Citizenship and Immigration Canada (2005), Instituto Nacional de Migración de Mexico (2004, FMTV table) and the U.S. Department of Homeland Security (2004, Table 25).

Stuart Anderson, 6 April 2018, Forbes "If NAFTA Goes Away, Treaty's Immigration Benefits Will Disappear" //JN
https://www.forbes.com/sites/stuartanderson/2018/04/06/if-nafta-goes-away-treatys-immigration-benefits-will-disappear/#1150bba846f0

Pulling the United States out of NAFTA (North American Free Trade Agreement) **would be bad for many reasons.** Despite this, Donald Trump has again threatened to do so. Few Americans are aware that, **in addition to losing the treaty's many trade benefits for consumers and companies, if NAFTA goes away its many beneficial immigration provisions would disappear as well**. On the trade side, Business Roundtable estimates **ending NAFTA would result in 1.8 million U.S. jobs lost in the first year and permanently depress U.S. Gross Domestic Product by more than 0.2%. Disrupting supply chains will cause many future business decisions to turn out poorly for the U.S economy**. On the immigration front, there are another set of negative impacts that would affect U.S. consumers and businesses. Right now, **Canadian and Mexican professionals can come to the United States and work in TN status**. Investors from Canada and Mexico can use E visas. But that is only because of NAFTA. **"If NAFTA were to end, both the TN and E visas would become unavailable,"** writes Kathleen Walker, an attorney with Dickinson Wright and author of a new National Foundation for American Policy report. "That means the jobs, health and consumer benefits Americans now enjoy connected with these visas also would end." And those benefits are considerable. **"The TN visas allow U.S., Canadian and Mexican technology (and other) companies to benefit under NAFTA by the ability to transfer employees back and forth across the border,"** notes Walker. "This improves productivity and encourages increased hiring of workers in America. By facilitating investment, the E visa helps create jobs in America. Both Canada and Mexico are major sources of foreign direct investment in the U.S."

Godfrey, Nick. "Why is competition important for growth and poverty reduction." Organization for Economic Cooperation and Development (OECD) Investment Division. Department of International Development: London 4 (2008). http://www.oecd.org/investment/globalforum/40315399.pdf

Competition is central to the operation of markets, and fosters innovation, productivity and growth, all of which create wealth and reduce poverty. However, markets do not always work well, and uncompetitive markets are often those that matter most for the poor. This paper outlines the direct and indirect, and often complex, linkages between competition, competition policy, private sector development, growth and poverty reduction. The existence and importance of these linkages is still not sufficiently recognised in the developing world. While anti-competitive conduct by firms is an obvious cause of weak competition, inappropriate public policies, and the power of vested interests to block necessary reforms, can also be important. Governments might not be aware of the ways in which competition is being harmed, or might be unsure how to identify where barriers to competition exist. In recognition of this, DFID has developed a new operational tool – the Competition Assessment Framework - to help policy makers in developing countries identify and address weak competition in key sectors of their economies. It takes a holistic approach to the state of competition, and is sufficiently flexible to be used in any country, regardless of whether competition has been considered systematically in the past. It could be applied to subnational units of a country, such as states in a federation, where these involve separate markets, and in some cases to regional groupings. The CAF recognises the need to take account of governance capabilities and political realities. We see the CAF as being complementary to the OECD"s „Competition Assessment Toolkit", which provides valuable guidance on assessing the competitive effects of regulation.

Russell, Alan. “The NAFTA RULES of Origin: What are they and why are they important?” Tecma University, n.d., https://www.tecma.com/nafta-rules-of-origin-important/

Rules of origin are agreed upon guidelines that define the regional value share and/or transformation that must take place to ensure that goods that are imported from Mexico and Canada are actually produced in the three parties to the trade treaty’s countries.

Cordova, Jose Ernesto Lopez. How do rules of origin affect investment flows?: some hypotheses and the case of Mexico (Working Paper ITD= Documento de Trabajo ITD; n. 22). Vol. 22. BID-INTAL, 2006. <https://publications.iadb.org/bitstream/handle/11319/2564/How%20do%20Rules%20of%20Origin%20Affect%20Investment%20Flows%3f%20Some%20Hypotheses%20and%20the%20Case%20of%20Mexico.pdf?sequence=1&isAllowed=y>

First, there are two ways in which **restrictive ROO in particular can work to boost investment**. For one, entailing a high share of the cost of production that has to arise within the PTA area, **stringent ROO can lock final goods producers into obtaining supplies and/or performing production processes within the PTA even if supplies and production in the rest of the world (ROW) were cheaper**. As such, demanding ROO downstream provides PTA-based intermediate goods producers a specter of higher rents, which, in turn, should attract foreign intermediate producers to locate to the PTA area. Moreover, **by requiring a certain cost share of the final good to rise within the PTA, ROO can alter the margins of comparative advantage between a PTA member and a non-member, in essence expanding the range of intermediate goods produced** (and/or production processes carried out) in the PTA -and do so even if the PTA area were not the globally most efficient location of production (Rodriguez [2001])-. **Thus, FDI can also flow to "new" intermediate industries** -industries in which the PTA partners do not have a comparative advantage in the non- PTA equilibrium-. In short, **ROO can induce both more and a wider ranger of intermediates to be produced** (or production process to be performed) within the PTA, **which, in turn, can be expected to attract investment in intermediate industries.**5

Lederman, Daniel, et al. *Lessons from NAFTA for Latin America and the Caribbean*. Stanford University Press, 2005.
https://publications.iadb.org/bitstream/handle/11319/345/9780821358139.pdf?sequence=1

Because the estimated equation is expressed in logs, the effects of the various groups of variables are multiplicative, not additive, and hence it is not straightforward to translate these figures into the implied changes in the level of FDI. However, a rough approximation indicates that, **had the other factors remained unchanged**, the FTA-related variables would imply that Mexico’s entry into **NAFTA led to about a 40 percent increase in annual FDI** (see Cuevas, Messmacher, and Werner 2002). However, **the contribution of NAFTA may be understated** in the above calculations. **Mexico’s openness was presumably also increased by the treaty** (see chapter 6), and the regression estimates imply that **this in turn had an additional**, albeit indirect, **favorable impact on FDI inflows**. Although it is difficult to quantify such impact, a back-of-the-envelope calculation suggests that **taking it into account could raise the estimated effect of NAFTA on constant-dollar FDI quite significantly**,29 to

levels closer to those reported by Waldkirch (2001), who used bilateral FDI data to conclude that **NAFTA led to a 72 percent increase in FDI from Canada and the United States**.30

Calvo, Cesar C., and Marco A. Hernandez. "Foreign direct investment and poverty in Latin America." The Globalisation and Economic Policy, Fifth Annual Postgraduate Conference. 2006.<http://beta.nottingham.ac.uk/gep/documents/conferences/2006/postgradconf2006/hernandez-postgradconf2006.pdf>

Table 4 reports our results for equation (1), with both the headcount and the poverty gap as dependent variables. Both the stocks of foreign and domestic capital have a negative impact on poverty, but magnitudes differ noticeably.17 Given our linearlog specification, this is only natural due to the greater domestic share in total capital stocks – on average, foreign stocks sum up to only 15.4% of domestic stocks. Should domestic capital double, the poverty headcount would fall by 25.7 percentage points. On the other hand, **should foreign capital double, the poverty headcount would decline by 5.3 percentage points.** Thus, accounting for the difference in absolute magnitudes of these two forms of capital, it is foreign stocks which cause a greater marginal reduction in poverty, i.e. per additional unit of capital.

NAFTA helped Mexico to US and Canada

***Fas.Org*, 2018, https://fas.org/sgp/crs/row/RL34733.pdf.**

A 2005 World Bank study assessing some of the economic impacts from NAFTA on Mexico concluded that NAFTA helped Mexico get closer to the levels of development in the United States and Canada. The study states that NAFTA helped Mexican manufacturers to adopt to U.S. technological innovations more quickly and likely had positive impacts on the number and quality of jobs.

Park, Walter G. "Technology trade and NAFTA." American University. Source: wgp@ american. edu (2007). <https://www.americanuniversity.org/cas/faculty/wgpark/upload/NA-Patent-Zone.pdf>

The TRIPS agreement established minimum international standards. **Chapter 17 of the North American Free Trade Agreement addresses the intellectual property obligations**. 4 While the TRIPS provisions are incorporated into NAFTA by reference, **NAFTA** also **contains provisions that go beyond TRIPS**, and hence NAFTA is regarded as TRIPSplus.2 It is useful to review in this section the key differences between TRIPS and the intellectual property provisions of NAFTA, and how they changed the intellectual property systems of Canada, Mexico, and the U.S. I shall focus largely on patent laws since these relate most directly to technological innovation and diffusion.
A key difference between NAFTA and the WTO's TRIPS agreement is that private actors do not have standing before the WTO's dispute settlements board. NAFTA, however, contains dispute settlement procedures for private actors (Chapter 19). The TRIPS agreement sets the minimum duration of patent rights to 20 years from the date of application. NAFTA provides for 17 years from the date of patent grant. This is useful if the patent application process takes a long time – time which is taken away from the duration of the patent right. Moreover, in the case of pharmaceutical products, there are delays in the regulatory approval process which also reduces the effective life of the patent. **NAFTA's Chapter 17** also **provides tighter restrictions on the ability of governments to revoke or limit the exclusive rights of patent holders** (for example, to cases where patent holders engage in anti-competitive abuses). **The WTO/TRIPS also does not explicitly address piracy issues**, whereas **NAFTA has provisions dealing with the trading of goods that infringe on intellectual property rights.** For example, Article 1714 of NAFTA addresses the enforcement of IPRs at the border, empowering customs administrators to contain counterfeit goods.

Lederman, Daniel, et al. *Lessons from NAFTA for Latin America and the Caribbean*. Stanford University Press, 2005.
https://publications.iadb.org/bitstream/handle/11319/345/9780821358139.pdf?sequence=1
One possibility is that **NAFTA, through its demand for improved protection of intellectual property rights and**/or through **increased international competition** (for import-competing and exporting industries) **provided incentives for improvements in private R&D effort and patenting**. As reported by Meza and Mora (2002) as well as in chapter 6 of this book, **the post-NAFTA period was characterized by significant increases in R&D expenditures.** The existing literature however, remains silent about this particular force toward convergence. An examination of these issues would require empirical work addressing the determinants of patenting across countries, with a special focus on the impact of trade policies and innovation policies. Much work remains to be done in this area, although there is an emerging body of literature (Furman, Porter, and Stern 2002). Lederman and Maloney (2003b) have shown that **protection of intellectual property rights tends to increase R&D effort relative to GDP** in a broad panel of countries and that these expenditures are cyclical in the sense that they tend to rise with improvements in short-term growth (see chapter 6). Thus **it is very likely that NAFTA helped Mexico improve its innovation through its intellectual property rights regime and by helping Mexico recover after the Tequila crisis**. On the other hand, chapter 6 shows that the emerging manufacturing sectors under NAFTA (road vehicles, telecommunications equipment, and appliances) are not yet characterized by significant improvements in patenting activity, thus suggesting that there are significant efficiency problems related to the lack of linkages between R&D performed by the public and higher-education sectors and the productive sector.

Lederman, Daniel, et al. *Lessons from NAFTA for Latin America and the Caribbean*. Stanford University Press, 2005.
https://publications.iadb.org/bitstream/handle/11319/345/9780821358139.pdf?sequence=1
The main educational gaps in Latin America and the Caribbean are those related to the coverage of secondary enrollment and the poor quality of the education provided to its citizens. Attainment along these dimensions in Mexico, as well as in most of the countries in the region, is below the international norm for countries with similar levels of income. The region as a whole also lags the international norm in both the level and efficiency of innovative effort. As admittedly imperfect proxies, total research and development (R&D) spending and patenting activity fall short of the levels typically found in countries with similar characteristics. The international evidence suggests that the region's R&D investment effort should be about 2.5 times its current level, which during the late 1990s was approximately 0.4 percent of GDP in Argentina, 0.6 percent in Mexico, and 0.8 percent in Brazil, compared with greater than 2.5 percent in Korea and the United States. **NAFTA's main contribution to Mexico's innovation effort might have been its Chapter 17 on intellectual property**

rights because our analysis suggests that stronger protection is associated with higher levels of R&D spending relative to GDP.

Park, Walter G. 2001. Intellectual Property and Patent Regimes. In Economic Freedom of the World, 2001 Annual Report. Fraser Institute, Vancouver, BC.

The logic of why patent systems exist is discussed extensively in the literature.2 It is therefore best here to clarify a few points. First, in the absence of a patent system, markets for ideas would be "missing" due to the nature of knowledge as a public good. A patent system therefore creates a market that would otherwise not exist. However, since **the patent holder is granted exclusive rights to exploit the innovation**, the market for that innovation is not one of perfect competition. **Without the right to exclude, and price at a markup above the competitive price, the innovator might not be able to recoup her up-front research and development (R&D) costs over time**. By enhancing the ability of the innovator to appropriate the returns to her R&D investments, **the patent system generates incentives to innovate and thereby engenders a form of "competition" over time to create ideas.** Thus, as the literature suggests, a trade-off exists between technology creation and diffusion: patent systems must provide, on the one hand, adequate incentives for technology creation and, on the other hand, opportunities for competitive diffusion.

Gonzalez, Liliana Meza. "Why Mexican Manufacturing Firms Invest in R&D?". National Institute of Statistics and Geography. 2004. <https://www.researchgate.net/publication/31752701_Why_Mexican_Manufacturing_Firms_Invest_in_R_and_D_L_Meza_Gonzalez_AB_Mora_Yague?enrichId=rgreq-d920f84c55116b0a4c4949048b2a1544-XXX&enrichSource=Y292ZXJQYWdlOzMxNzUyNzAxO0FTOjU3OTEzMTYyMDQ1ODQ5NkAxNTE1MDg3MTQ2MjY4&el=1_x_3&_esc=publicationCoverPdf>

According to our data, **in 1992, 32.4% of the Mexican manufacturing firms invested part of their resources in R&D**. These **firms invested**, on average, **0.054% of their total income in activities aimed to generate new products**, prevent contamination and pollution, or to improve existing products and production processes. **In 1999, the percentage of firms engaged in some R&D activities had increased to 49%**, and **the mean proportion of income they dedicated to R&D had increased to 0.068%**. This means that in a 7 years span, **the average expenditure in R&D as a proportion of total income of Mexican manufacturing firms increased 25.9%** (see Table 4).

Gumus, Erdal, and Ferdi Celikay. "R&D expenditure and Economic growth: New empirical evidence." Margin: The Journal of Applied Economic Research 9.3 (2015): 205-217.<http://sci-hub.tw/https://doi.org/10.1177/0973801015579753>

From these results one can interpret that in the long term, **R&D spending has a positive and almost one-to-one contribution to GDP growth regardless of the development stage of a country. When R&D spending increases, it exponentially expands production capacities across time and across sectors.** In the short term, however, our results differ with respect to the level of development of a country. Although R&D spending has a positive effect in the short term both for developed and developing countries, the coefficient (0.56) for developed countries is greater than (0.20) for developing countries. This difference can be attributed to the effect of differences in the stock of capital and productivity on R&D spending activities in both types of countries.

Department for International Development, "Growth: Building Jobs and Prosperity in Developing Countries", OECD, n.d., <https://www.oecd.org/derec/unitedkingdom/40700982.pdf>

Economic growth is the most powerful instrument for reducing poverty and improving the quality of life in developing countries. Both cross-country research and country case studies provide overwhelming evidence that rapid and sustained growth is critical to making faster progress towards the Millennium Development Goals – and not just the first goal of halving the global proportion of people living on less than $1 a day. **Growth can generate virtuous circles of prosperity and opportunity. Strong growth and employment opportunities improve incentives for parents to invest in their children's education by sending them to school**. **This may lead to the emergence of**

a strong and growing group of entrepreneurs, which should generate pressure for improved governance. Strong economic growth therefore advances human development, which, in turn, promotes economic growth.

NADBANK CARDS

Russell, Clifford S. *Investing in water quality: measuring benefits, costs and risks*. IDB, 2001. https://books.google.com/books?id=VkPfVm-pF_oC&printsec=frontcover&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false

Keeping these qualifications in mind, it is possible to make comparisons for Mexico; Santiago, Chile; and Rio deJaneiro, Brazil. For ease of comparison, all of the dollar amounts reported in this section have been converted to 1996 U.S. dollars. Perhaps the most complete comparison can be achieved with the data on Mexico, even though this is the product of admittedly rough calculations in Marguhs (1992). This study estimates that the annual health costs associated with ambient air concentrations of particulates, ozone, and lead in all of Mexico totaled $1.35 billion. The study allocates $1.06 billion of these costs to particulates (mortality, $607 million and morbidity, $454 million), $126 million to ozone, and $164 million to lead. This same study also asserts that **the total** annual costs of **premature deaths in Mexico in 1992 due to water pollution (a total of 28,000)** were $4.5 billion. The economic costs of morbidity from water pollution were estimated to be $38 million, for a total of $4.538 billion, or over three times the health costs associated with air pollution. A second attempt to value national health benefits from water pollution control for all of Mexico is provided by the Comisiön Nacional del Agua (1996). This study evaluates the economic value of a set of proposed discharge standards establishing the maximum allowable amounts permitted for wastewater discharges into receiving bodies, which are to be implemented over time. The estimate of $2.7 billion in health benefits is based on an assumed 50 percent decrease in morbidity and mortality from gastrointestinal diseases and an unspecified decrease in cancer caused by toxic contam- ination over 20 years, discounted to the present at a rate of 6 percent. (This implies an annual benefit of about $230 million.) Further information from this study is reported in Annex 6-E Notice that the implied annual damage avoided here is much less than the annual damage due to water pollution (a total of 28,000) were $4.5 billion.

Gilbreath and Ferretti '4 – Gilbreath was a senior associate of the CSIS, currently serves as an international policy specialist for the US EPA, Ferretti is the chief of the environment division of the Inter-American Development Bank (Jan and Janine, "Mixing Environment and Trade Policies under NAFTA," Chapter 4 of "NAFTA's Impact on North America: The First Decade," edited by Sidney Weintraub, published 2004, CSIS)

NAFTA established two institutions capable of dealing with a limited number of these water issues- the Border Environment Cooperation Commission and the North American Development Bank (NAD Bank). The BECC is charged with certifying environmental infrastructure projects for NAD Bank funding. In that capacity, **it helps local communities to plan and implement water supply use, wastewater treatment, and other environmental infrastructure projects.** Although an important function, the institutions impact on broader water management issues is small. **Both the U.S. and Mexican governments aim to use the NAD Bank to fund** a wide variety of **water projects and air pollution control projects**, but until recently the bank has contributed only a small amount of funding for infrastructure projects. **The two governments** clearly **intend to rely on NAD Bank funding to implement their binational environmental management plan**, however. Much of their joint border environmental management plan, currently called Border 2012, relies on NAD Bank funding for water improvement projects that will reduce municipal contamination and extend municipal supplies. The NAD Bank cannot fully address the water management issue on either side of the border. In 1999, the NAD Bank estimated that $2.1 billion was needed over a 10-year period in environmental infrastructure funding for the border region. The bank, which is jointly financed by the Mexican and U.S. governments, provided only $35 million in loans for 12 projects between September 1995, when the BECC first certified a project for funding, and September 30, 2002 (North American Development Bank 2003). Of these 12 loans, three loans totaling $11.3 million were granted in 2002 by the NAD Bank's new low-interest rate lending facility (BECC and NAD Bank 2002). The NAD Bank has issued substantially more environmental infrastructure funding through its grant programs, As of September 30, 2002, the NAD Bank had awarded $422 million in grants for these infrastructure projects.

Geronimo Gutierriez, Wilson Center, "Becoming a Useful Tool for Governments: The Evolution of the North American Development Bank", 9 Dec. 2015, https://www.wilsoncenter.org/sites/default/files/anatomy_of_a_relationship_geronimo_gutierrez.pdf

By December 2006, **BECC had certified 115 environmental infrastructure projects,** and **NADB had approved US$260.7 million in loans for 37 projects**, **US$493.9 million in BEIF grants for 55 water and wastewater projects, US$4.5 million in SWEP grants for nine solid waste projects and US$76.4 million in WCIF grants for 19 water conservation projects.** At the close of 2006, 43 BECC-certified projects financed by NADB had been completed and were in operation. With the project development process fully aligned under a single board of directors, project certification and financing began to grow at a consistent pace. Projects in the air quality and renewable energy sectors, along with an increase in construction starts in the water and wastewater sector, catalyzed growth in lending. Operationally, the two institutions made important strides in efficiency and in reducing the time between funding approval and disbursement. Consequently, the Bank's loan portfolio grew 284% in the three-year period between December 2006 and 2009.

Sol Garcia, Guardian, 6 July 2016, "How capturing rain could save Mexico City from a water crisis", https://www.theguardian.com/global-development-professionals-network/2016/jul/06/capturing-rain-save-mexico-city-water-crisis

As is common in our world, those in Mexico with the least resources suffer the most. **Low income and informal neighbourhoods have the least access to safe water, exposing them to high health risks, such as diarrhoea and parasitic and**

bacterial diseases. Many of them depend on pipas, or water trucks, which aren't always reliable. **The average Mexican family can spend up to 20% of its income on water.**

More than 10 million Mexicans lack access to safe water and its capital, Mexico City, is ranked third on the list of cities facing an extreme water crisis. But this is not because of natural water scarcity. In fact, Mexico City receives roughly five months of rain a year and is notorious for flooding.

Geronimo Gutierriez, Wilson Center, "Becoming a Useful Tool for Governments: The Evolution of the North American Development Bank", 9 Dec. 2015, https://www.wilsoncenter.org/sites/default/files/anatomy_of_a_relationship_geronimo_gutierrez.pdf

At 20 years of operation, **BECC and NADB have evolved into institutions that are having a transformative impact** on the quality of life in the border region. At the close of 2014, **BECC had certified 243 projects and NADB had contracted US$2.40 billion in loan and grant financing to support the implementation of 204 of those projects**. **These projects are producing tangible results, especially with regard to wastewater treatment coverage along the Mexican border, which has increased from 21% in 1995 to 87% in 2012. Water savings in irrigation districts are estimated at 371,000 acre-feet a year, sufficient to supply drinking water to four million residents. Solid waste projects are enabling proper management of 1,550 tons of waste a day. In air quality, paving projects in various Mexican communities are helping eliminate about 170,000 tons of vehicular dust (PM10) a year. Finally, renewable energy projects are helping to avoid the release of 2.1 million metric tons/year of carbon dioxide and other greenhouse gases.**

Geronimo Gutierriez, Wilson Center, "Becoming a Useful Tool for Governments: The Evolution of the North American Development Bank", 9 Dec. 2015, https://www.wilsoncenter.org/sites/default/files/anatomy_of_a_relationship_geronimo_gutierrez.pdf

In 1996, NADB and BECC engaged the U.S. Environmental Protection Agency (EPA) and other potential grant agencies in discussions regarding appropriate mechanisms through which available grant resources could be channeled to projects in both countries. As a result, **EPA awarded BECC an initial US$10 million grant to support development of water and wastewater projects** on both sides of the border through the Project Development Assistance Program (PDAP). **Likewise, EPA signed a cooperative agreement with NADB establishing the Border Environment Infrastructure Fund (BEIF) with an initial contribution of US$170 million in grant funding for water and wastewater facilities** in both the U.S. and Mexico. During this period, BECC and NADB also continued to strengthen relationships with other agencies, local stakeholder groups and advocacy organizations working on environmental issues in the border region and became instrumental in convening these organizations on a regular basis to discuss shared objectives and resolve issues. **The role played by EPA through its funding was significant**, as it catalyzed investment from the Mexican National Water Commission (CONAGUA) for water and wastewater projects in the Mexican border region. BECC and NADB became effective advocates for the interests of the border region, helping to bring border infrastructure issues to the attention of state and federal agencies, as well as elected officials who could contribute to the successful development and implementation of projects. These programs and the collaboration with EPA and CONAGUA allowed BECC and NADB to begin implementing many priority water and wastewater projects in the border region and have been quite successful throughout the 20 years of operation.

Marco Hernandez 2006, Leverhulme Centre for Research on Globalisation and Economic Policy University of Nottingham

http://beta.nottingham.ac.uk/gep/documents/conferences/2006/postgradconf2006/hernandez-postgradconf2006.pdf

Economic restructuring in Latin America arose from the inability of previous development strategies to deliver results. By the end of the 1980s, governments were hampered with fiscal imbalances and inefficient bureaucracies, while state-owned enterprises proved to be inefficient in the absence of competition. **The search for solutions promoted a** decrease in government intervention and a **greater emphasis on** fostering economic development through market forces. **A renewed objective** resulted in the reduction of distortions **towards** market **liberalization**, privatization, mergers and acquisitions, **and FDI-promoting policies**. With regard to poverty, the results are not particularly positive. The 1990s only witnessed a slight reduction of the headcount of poverty: while 28.4% of Latin Americans were poor in 1990, the figure had fallen to 24.5% by 2001 (Chen and Ravallion, 2004). This limited progress is similar to the average reduction in the developing world, where the headcount also diminished by approximately 13% (from 60.8% to 52.9%). Nonetheless, living conditions for those remaining poor in Latin America failed to improve, as their daily income only increased during the first half of the decade, and fell thereafter. By the end of the decade, it finally settled around its initial average of $1.26 per day. In the same period, GDP per capita rose by 13.7%. Like the average income of the poor, GDP growth also seemed to run out of steam halfway through the decade. Between 1997 and 2001, accumulated growth was as low as 0.6%. However, **the region is far from uniform, and the**

link between GDP and poverty might seem less clear when one considers individual countries. Table 1 reports country-level figures for the end of the decade. For instance, Bolivia's poverty figures decreased during the first part of the decade, and grew steadily in the second half. Paraguay's poverty figures remained initially stagnant, and fell into a drastic recession spell from 1995 onwards. Likewise, poverty headcounts followed heterogeneous patterns: whereas it decreased from 38.6% to 20.6% in Chile, it rose from 39.8% to 49.4% in Venezuela. At least **to some extent, the link between poverty and GDP growth is mediated by unemployment rates**. Many of the poor in the region blame their income shortfall on their joblessness, and furthermore, they consider that unemployment causes the loss of human and social capital, as well as psychological stress. The well-known World Bank study entitled Voices of the Poor documents these perceptions. In Brazilian favelas, for example, violence is understood as a consequence of unemployment: "Today they kill for any little thing, anything results in death. This happens because there are no jobs or occupation that produces income" (World Bank, 1999). **During the 1990s,** in order to smooth the operation of the labor market, create employment and increase relative wages, **liberalization**, privatization, and other structural **reforms were implemented across the region**. However, despite these measures, unemployment rates in Latin America have risen in recent times (Lora 2003).2 Moreover, it has been argued that in addition to an increase in unemployment during the 1990s, working conditions have deteriorated (Narayan and Petesch, 2002).3 Table 2 shows the evolution of unemployment rates. During the 1980s, the annual average of unemployment stood at 8.6%. Between 1990-1995, this figure dropped slightly (8.4%), and increased again between 1996-2000 to 9%. This is consistent with the evolution of the income of the poor, and of global GDP. However, it should be noted that **averages overlook high heterogeneity across countries.** In Brazil, for example, unemployment exhibited a three-fold rise during the 1990s. **In contrast, unemployment in Mexico decreased by 30%.**

Foreign Direct Investment

During the 1990s, liberalization and privatization have paved the way for a massive arrival of FDI. Between 1990 and 2001, accumulated inflows added up to US$ 632 billion, accounting for 41% of total FDI funds directed to developing countries. By 2001, FDI made up approximately 19% of gross domestic investment in the region. The worldwide picture exhibits a rising trend. FDI net flows increased from a yearly average of US$ 275 billion during 1990-1997 to US$ 1,530 billion in 2000.4 **The increase in FDI flows recognizes the increasing importance placed on capital inflows by developing nations.** Between 1990 and 2001, most of the FDI flows in developing countries were concentrated in Asia and Latin America.5 Table 3 compares FDI inflows by regions.

Hanson, Gordon H. "Globalization, labor income, and poverty in Mexico." Globalization and poverty. University of Chicago Press, 2007. 417-456. <http://www.nber.org/chapters/c0107.pdf>

There is relatively little work on the impact of trade liberalization on poverty in Mexico. One notable exception is Nicita (2004), who applies data from the Mexico's National Survey of Household Income and Expenditure to techniques developed by Deaton and Muellbauer (1980) and Porto (2003) to construct an estimate of how tariff reductions have affected household welfare. This exercise involves estimating the impact of tariff changes on domestic goods' prices, the impact of changes in goods' prices on the wages of different skill groups, and income and price elasticities of demand for different goods, and then combining these estimates to form an estimate of the change in real income due to tariffs. **During the 1990s, tariff changes appeared to raise disposable income for all households**, with richer households enjoying a 6 percent increase and poorer households enjoying a 2 percent increase. **These income gains imply a 3 percent reduction in the number of households in poverty.** Income gains are larger in regions that are close to the United States, where tariff-induced price changes are larger.

Ivan Barrios, 6-25-2012, "Foreign Direct Investment in Mexico Drives Middle Class Growth," No Publication, https://insights.offshoregroup.com/foreign-direct-investment-in-mexico-drives-middle-class-growth

Mexico relaxed restrictions, ascending maquiladora sector in the 1980s.

Throughout 2000-2003 the U.S. was the source country for 73.4% of the imports by maquiladoras in Mexico and maquiladoras exports back to the U.S. were equal to 5.3% of U.S. industry shipments. Maquiladoras have become a fundamental part of the Mexican economy, with their share of national manufacturing employment rising from 4.1% in 1980 to 28.3% in 2002. Mexico's gross domestic product has grown at approximately twice the rate of that of the U.S. over the last 10 years on a titular basis. This has rendered a conspicuous increase in U.S. exports to Mexico as the country's middle class grows and provides more opportunities for U.S. firms to widen their sales to Mexican consumers. Currently, revenues generated from U.S. consumer-related

exports to Mexico are over $50 billion annually. In 2000, the share of international trade in Mexico's GDP was 32%, up from 11% in 1980. The most dynamic exporters in Mexico are in-bond assembly plants. Maquiladoras main point of contact with the Mexican economy is through hiring labor. They purchase few inputs in Mexico and sell virtually none of their output domestically. The United States is the primary source for their inputs and the primary destination market for their sales. **Foreign direct investment inflows are crucial for the modernization of the Mexican economy. It is also considered to be one of the employment generating avenues for the Mexican economy.**

Between 1994-2005 FDI drifts into Mexico totaled about $170 billion.

FDI in Mexico benefits Mexico in 2 significant ways:

• Provides domestic work for otherwise unemployed Mexicans

• Leads to positive socio-political change

Lopez-Acevedo, Gladys, Wages and Productivity in Mexican Manufacturing (January 21, 2003). World Bank Policy Research Working Paper No. 2964. Available at SSRN: https://ssrn.com/abstract=636326

In 1993 R&D increased both **wages** and productivity. **Wages increased by 2 percent**, and productivity increased by 20 percent (see Table 18). However, this trend did not continue in 1999 since R&D and productivity were found to be strongly negatively correlated. However, **foreign R&D was found to have a positive effect on** both **wages** and productivity, **by 19** and 90 **percent** respectively. 13

Table 18: Research & Development

Variable	1993				1999			
Rd	Wage	P>|z|	Productivity	P>|z|	Wage	P>|z|	Productivity	P>|z|
Pooled	0.02	0.08	0.20	0.00	0.02	0.52	-0.20	0.03
Micro	-0.14	0.09	0.23	0.13	0.03	0.81	0.59	0.05
Small	0.00	0.94	0.10	0.04	0.30	0.00	-1.15	0.00
Medium	0.02	0.37	0.10	0.00	-0.15	0.01	0.17	0.23
Large	0.03	0.21	0.29	0.00	0.02	0.73	-0.12	0.44

Source: Author's calculations based on ENTRAM -ENESTYC.

McBride, James and Mohammed Aly Sergie. "NAFTA's Economic Impact." CFR. Council on Foreign Relations, 4 October 2017. Web. Accessed 5 June 2018. https://www.cfr.org/backgrounder/naftas-economic-impact

NAFTA gave a major boost to Mexican farm exports to the United States, which have tripled since NAFTA's implementation. **Hundreds of thousands of auto manufacturing jobs have also been created in the country**, and most studies have found [PDF] that the pact had a positive impact on Mexican productivity and consumer prices.

Xhemalce, Remzi. Oil Reform and Poverty Abatement in Mexico. A new Perspective for Inclusive Green Growth. World Petroleum Congress. 2014. https://www.onepetro.org/conference-paper/WPC-21-1894

Mexico has taken the first steps to modernize its oil industry that has been in decay for the last years. **The Energy Reform can** booster economic growth; but first, **enhance** by far **resource constrained poverty abatement policies. The country suffers from a great income disparity** that hides at plain sight the huge relative amount of people living in multidimensional and extreme poverty, the highest in the OECD. **Developing deep and ultra-deep oil fields in the Gulf of Mexico thanks to joint venture with foreign oil companies is likely to booster oil output** and government spending up to 35% by 2020. Three scenarios are built considering: prospective new fields in the Gulf and their possible outputs; the specs of secondary regulation; the previous outcomes of energy poverty alleviation programs and the overall effects on GDP in a partial IGG equilibrium model. **When addressing energy poverty** abatement, **extracting oil today instead of leaving it for ´the future´ has special theoretical treatment** due not only to ethical ground of intragenerational over intergenerational justice but in terms of economic efficiency and technological push. Overall, **the new Reforms in Mexico**, with an adequate regulation, **can easily provide the state with the extra revenues necessary to abate energy poverty in 90% by the end of 2015** by Millennium Development Goals standards, **and by 2035 eradicate energy and extreme poverty by fostering an inclusive green growth. This growth model** based on Oil production **would likely lead to higher economic development with energy**, income and environmental security prioritizing intragenerational justice in the allocation of resources. Future research could be developed for other countries with similar multidimensional energy poverty issues, which lack technical and financial capabilities to optimally develop their oil resources.

Slav, Irina. "Under threat? U.S. oil interests in jeopardy if key NAFTA provision is removed." USA Today. 2018. https://www.usatoday.com/story/money/energy/2018/03/26/under-threat-u-s-oil-interests-jeopardy-if-key-nafta-provision-removed/457860002/

A group of more than 100 GOP senators and House **representatives** has **called on President Trump to keep investor protection provisions in NAFTA intact. Otherwise**, the group says, **U.S. investments in Mexico's oil and gas industry would come under threat.** The legislators detailed their concerns in a letter to U.S. Trade Representative Ambassador Robert Lighthizer, cited by S&P Platts. **They urged the President to keep these provisions intact to reassure U.S. companies investing south of the border that their investments are safe, and should an issue arise between a U.S. company operating in Mexico and the government, there will be a mechanism in place allowing the company to seek international arbitration to settle the issue.** The importance of these investor protection provisions seems to be more prominent now than before as the frontrunner for the Mexican elections this summer is leftist Andres Manuel Lopez Obrador from the Morena party, who has more than once said that he will review all oil contracts inked by the Pena Nieto government with foreign oil companies. These **oil contracts are part of the foray of U.S. energy companies into Mexico following a wide energy sector reform enacted in 2013. As a result of the reform**, after an initially slow start to attracting foreign investment, **Mexico's offshore oil auctions have recently started paying off**, after an alliance (including foreign firms) announced a "world-class discovery" estimated to hold more than 1 billion barrels of oil in place — one of the major global discoveries in the past five years. In addition, supermajors Exxon, Chevron, and BP are opening or plan to open their first service stations to tap into the Mexican refined products market. Shell is the latest Big Oil player to enter the retail market, pledging US$1 billion in investment over the next 10 years. S&P Platts' Meghan Gordon notes that **the investor protections under NAFTA have been instrumental in this influx of U.S. and transnational energy company investments in Mexico, so removing them could jeopardize these and future investments**, especially in light of Obrador's suggestions he would try to undo the energy reform.

Domm, Patti. "Mexico's oil plan: Cut costs, find foreign investors." CNBC. 2016. https://www.cnbc.com/2016/02/24/mexicos-oil-plan-cut-costs-find-foreign-investors.html

Mexico Energy Secretary Pedro Joaquin Coldwell said **the energy reform pushed by Nieto was long needed and is critical because of the decline in the energy sector.** "It changes the hydrocarbon paradigm, and it changes the electrical sector paradigm as well," he said. Coldwell said Mexico's electric rates had been 75 percent more than those in the U.S., but it is bringing them down with cheaper natural gas from the U.S. It is also working to add new pipeline capacity to bring in additional natural gas. "**We had lost 1 million barrels of daily production over 10 years**," he said. According to the International Energy Agency, **Mexico produces about 2.6 million barrels a day, and the future of its production will depend on whether it gets needed investment.** "**If they don't, we're going to anticipate a continued decline**," said Neil Atkinson, head of the IEA's oil market division.

Bonafe, Ernesto. "Mexico's Energy Sector Under the Universal Principles of the 2015 International Energy Charter." Energy Charter Secretariat. 2016. https://energycharter.org/fileadmin/DocumentsMedia/Occasional/Mexico_Report.pdf

A constitutional reform bill was introduced in Mexico on 20 December 2013 to provide legal grounds for the economic liberalisation of energy resources. In the new framework, **private parties are welcome to invest and make profit out of the exploitation of natural resources.** The reform does not include the transfer of ownership of the resources to private companies, instead **it creates a system under which it shares on the profits obtained from the business** after agreeing on a contract. According to the new framework set in the Mexican constitution, the country retains inalienable ownership over natural resources. **The reform aims to attract national and foreign capital to the energy industry**, but also intends to comply with sovereignty over natural resources. The capacity to autonomously decide on energy policy is an essential element of sovereignty. The 2015 International Energy Charter endorses the sovereignty of governments over energy resources.

Agren, David. "Mexico opens up petroleum business to private and foreign companies." USA Today. 2013. https://www.usatoday.com/story/news/world/2013/12/20/mexico-petroleum-oil-foreign/4152521/

Proponents said **the status quo was unacceptable**, especially as the world's seventh biggest petroleum producer and the USA's third biggest supplier risked suffering from depleted reserves and declining output. "**Our public-monopoly model is spent**," said lower house speaker Ricardo Anaya, a member of the opposition National Action Party (PAN.) "We all know that **easy and cheap oil has run out.** We import half of our gasoline, we import half the gas consumed by our industry." The "energy reform" was approved in Congress Dec. 12 and subsequently in half the 31 states – with one legislature giving it the green light in less than 10 minutes. It's an attempt to resurrecting an industry beset by corruption, inefficiencies and an inability to adapt to new technologies. The reform also proposes fixing public finances: the state oil agency Pemex provides income for one-third of the federal budget. **The dependence on Pemex income has left the agency with inadequate resources in recent years to explore for new sources of oil and without the expertise to exploit potentially vast shale reserves near the Texas border and deep-water deposits in the Gulf of Mexico.** "Currently **Pemex** is responsible for all oil and gas fields big and small. What that means is that it **can't do it all**," says George Baker, a veteran observer of the Mexico oil industry and publisher of Energia.com. "For the first time Pemex is being given an attainable business objective: to go after those reservoirs that … match its expertise" Outside operators would exploit the deposits Pemex doesn't want to work, Baker says. The energy reform changed articles in the constitutional reserving all extraction, exploration and downstream activities – such as refining, petrochemical processing and operating pipelines – for Pemex. It would also allow private players to produce and sell electricity. New contracts were also introduced, allowing companies to enter Mexico and carry out activities without having work as a Pemex contractor. Pemex would receive first crack at all projects through a concept known as "round zero" bidding. Congress still must approve secondary laws for the oil and electricity sectors, meaning contracts won't be signed until later next year at the earliest and the terms of any deals between the Mexican government and private oil companies are still unknown. **The government expects the reform to increase oil output by 1 million barrels a day and lower the prices of gas and electricity.** Mexico currently produces approximately 2.5 million barrels per day – down from the more than 3.5 million barrels per day pumped in 2003. Mexican owned bank Banorte-Ixe projected **the reform would boost GDP by 1 percentage point annually.**