

# Mexico Report

*A monthly newsletter for our friends and clients*

## Nafta-Bashing Offers Lessons for U.S. and Mexico

Over the past two months the decade-old North American Free Trade Agreement (Nafta) was treated as a sort of sideshow punching bag for Democratic presidential candidates eager to score points with worried American workers. Though the most vigilant Nafta-bashers have now left the campaign trail, polls suggest U.S. concern over jobs may well keep trade policy as a topic of public debate throughout the 2004 campaign. Senator Kerry has only said he would “review and fix” Nafta if elected. Americans and Mexicans concerned with Nafta will thus continue to have good opportunities to weigh in on the bilateral trade relationship in the months ahead within the context of the larger debate occurring on U.S. economic security and outsourcing.

The Gallup Poll of March 5-7 found 58% of respondents see the “jobs export issue” as very important in deciding their vote for president. 41% say they are very concerned that they or someone close to them will lose their job to foreign outsourcing, with another 20% somewhat concerned. President Bush, campaigning in election battleground state Ohio on March 10 answered the critics of his economic and trade agenda by describing isolationism as a “recipe for economic disaster.” He also essentially endorsed the view of White House economic advisor Gregory Mankiw, whose early February comment about outsourcing created a public uproar, by emphasizing that low job growth is driven primarily by technology and productivity, not by bad trade deals and “Benedict Arnold” CEOs as Senator Kerry has suggested.

So U.S. presidential campaign rhetorical battlelines over trade policy have been

drawn, with President Bush the unabashed free trader and the Democrats under a type of kinder and gentler free trade banner; Senator Kerry voted in favor of Nafta and most other major U.S. trade deals of the past decade. Overt Nafta-bashing is probably gone from the campaign, as it has not been part of any winning strategy — witness Edwards, Gephardt, Kucinich — and as the general election is fought in the center of the political spectrum protectionism becomes even less viable.

What are the implications of the resurgence of attention to U.S. pockets of opposition to Nafta? For the U.S., an important process already underway is a thorough examination of the real causes of the weak job market. The Brookings Institution, the Center for Strategic and International Studies (CSIS), and other think tanks are working to inform the debate over outsourcing. At a CSIS conference on March 10 Congressman Adam Smith (D-WA.) noted that much of the current outcry over outsourcing is based on anecdotal evidence. The General Accounting Office is in the process of compiling reliable data.

With discussion over the true nature of the U.S. job market and the outsourcing trend should come a chance to examine Nafta in a positive and forward-looking light, as a source of strength for the U.S. and for Mexico. Senator Edwards’ attack on Nafta helped to generate abundant coverage looking at the partnership, including growing linkages between U.S. and Mexican supply chains and the tens of thousands of U.S. jobs created by Mexican investment in the U.S.

For Nafta boosters on both sides of the border, the key is to position the

U.S.-Mexico partnership within the context of broader concerns about globalization and competition. When a job moves to Mexico as opposed to China or India, that shift arguably builds a stronger North American market as the two neighbors can more easily share design, technology, inputs, and production. Jobs moving to China are inevitably much further removed from the U.S. value chain.

Mexico’s leaders face a challenge similar to their U.S. counterparts, namely to push a message to build public understanding of the benefits of trade at a time when protectionism might offer an easier sound bite. Looking across the border, Mexico needs to do a better job of positioning itself as a strategic economic partner for U.S. manufacturing. Proximity, reliability, labor force compatibility, and cultural ties — Latinos are now the largest and fastest growing population group in the U.S. — all argue for a deepening of the U.S.-Mexico partnership to address rising competitive challenges in the global marketplace.

It is highly probable that as a result of the Nafta debate during the U.S. electoral process, activist NGOs will take the opportunity to bring attention to U.S. corporate responsibility toward labor and environmental conditions applying to their international operations. Such corporations should take this opportunity to review their communications, worker/management relations, and governance issues related to their non-U.S. operations. ■

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