
Notes

Chapter 1: Introduction

1. Negotiations on NAFTA began in 1991 and all three countries, Canada, Mexico, and the United States, approved the agreement in 1993. During this period, businesses began preparations on how to best take advantage of the new business environment that they expected to be established upon implementation in January 1994, which included lower tariff and nontariff barriers as well as liberalized foreign investment laws in Mexico.
2. Economic indicators could include price indices and unemployment rates as well as various measures of production, sales, consumption, and banking activity. Quality-of-life indicators could include measures of poverty, literacy and educational attainment, housing, health, and sanitation.

Chapter 2: U.S. Mexican Border Communities: An Overview

3. For more details on this period see Oscar J. Martinez, ed., *U.S. Mexico Borderlands: Historical and Contemporary Perspectives* (Wilmington: Scholarly Resources, 1996).
4. Economists refer to this phenomenon as border transactions. These mainly consist of purchases and sales of products that are not reported as imports or exports nor processed and recorded by customs.
5. Inflation in the United States between 1954 and 1976 was 112%, while in Mexico it was 279%.
6. Mexico's debt crisis of the early 1980s was the decisive event in opening up the Mexican economy from Import Substitution Industrialization (1950s-1970s) to Export Oriented Industrialization (1980s-present). Most of the market-oriented reforms and efforts toward trade liberalization

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that now characterize Mexico's economy have occurred since the early 1980s. In the period of import substitution, government participation in the economy and protective tariffs were quite high. Mexico only joined the General Agreement on Tariffs and Trade (GATT) in 1986.

7. According to a recent study the growth of export manufacturing in Mexico can account for a substantial portion of employment growth in U.S. border cities over the same period (1975-1997) (Hanson 2001).
8. For a recent update on the maquiladora industry see Lucinda Vargas, *Maquiladoras 2000: Still Growing*, *Business Frontier* 3 (2000). Available at <<http://www.dallas-fed.org/html/pubs/pdfs/busfront/300.pdf>>. For a brief overview of the maquiladora industry under NAFTA see James Gerber, *Whither the Maquiladora? A Look at the Growth Prospects for the Industry after 2001*, San Diego Dialogue working paper #E 99 1, University of California at San Diego, La Jolla, Calif., 1999.
9. Las Cruces, New Mexico, a city of approximately 75,000 inhabitants, is located some 75 miles from the border and northwest of El Paso, Texas. Therefore, much of the cross-border retail trade from the Mexican state of Chihuahua has traditionally gone to El Paso, not Las Cruces.
10. San Ysidro is the largest border crossing point in the San Diego-Tijuana area for noncommercial vehicles and pedestrians.
11. Measured as multiples of minimum wages.
12. Altos Hornos de México, a steel mill and the largest single employer of the state, has been in crisis since 1985.

Chapter 3: Changing Demographic and Economic Patterns in the U.S. Mexican Border Region During the NAFTA ERA

13. While many studies have attempted to assess the overall impact of NAFTA at the national level, only a few have attempted to assess its impact on the border region (see Patrick 1996, and Peach 2000).

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14. Perhaps a comparison of the border with the nation as a whole is unfair since a more appropriate comparison might be one that looks at the border's performance in relation to other similar subregions within the country. This comparison is made in Keith Phillips, *Border Region Makes Progress in the 1990s*, *Vista* December 1999. Available at http://www.dallasfed.org/html/pubs/pdfs/vista/dec_99.pdf. Indeed, when the border is compared with other similar subregions in the country in the 1990s the border comes out as a better performer than these other areas.
15. According to calculations based on Census Bureau estimates as presented in Peach and Adkisson (2000), despite historically high in-migration rates, two-thirds of the border region's population change between 1990 and 1998 can be attributed to natural increase.
16. The conclusion of Gruben and Kiser (2001) is that NAFTA has not been a determinant of maquiladora industry growth. Rather, the three factors found to impact growth in the industry are U.S. industrial production and Mexican-to-U.S. and Mexican-to-Asian manufacturing wage ratios.
17. Banco de México, which generates these data, lumps all cross-border trade of merchandise and services, such as tourism, together as represented by the exchange of Mexican for American money and vice versa. This is determined by estimating the volume of trade dealt with by banks in Mexican and U.S. currency and checks under \$100.
18. In December 1994, the Mexican peso crisis dramatically changed the dollar-peso relationship, increasing the border's surplus.
19. This coefficient indicates the percentage retained by Mexico of every dollar that comes into the Mexican border region.
20. An extensive program was begun in 1988 to promote and facilitate the construction of shopping centers along the border. Among the conditions that must be fulfilled by businessmen receiving permits for the establishment of shopping centers were the following: (1) the company's

capital must be underwritten by Mexicans or, in exceptional instances, by a Mexican majority through the issue of registered stock; (2) the imported products must be sold at prices comparable to those charged for the same items in the United States; and (3) at least 50% of the sales must be of domestic products

Chapter 5: Conclusions and Recommendations

21. For a mainstream discussion and critique of the agreement itself see Hufbauer and Schott 1993.
22. For this reason, the NAFTA side agreements on the environment provided for two new institutions, the North American Development Bank (NADB) and the Border Environment Cooperation Commission (BECC).
23. However, in 2001, Mexico instituted the Programas de Promoci n Sectoral or PROSEC (Sectoral Promotion Programs), which allow preferential duty treatment of certain inputs of non NAFTA origin.
24. See Lucinda Vargas, El Paso s Labor-Mismatch Dilemma, Business Frontier 1 (1998). Federal Reserve Bank of Dallas, El Paso Branch.
25. Tom Fullerton has made this observation in analyzing per capita income conditions at the border. See El Paso Incomes Hit Record Low, The El Paso Times, 4 May 2001.
26. See estimate developed for Tijuana in Bernardo GonzÆles ArØchiga and NoØ Ar n Fuentes, ¿Es Tijuana realmente una ciudad cara? Ciclos, Revista del Noroeste, Aæo 3 (28) 1988.
27. In per capita income analysis, the size of a household does matter and border cities have larger households than the rest of the nation (Fullerton 2001).
28. It is important, once again, to keep in mind that a more appropriate comparison of border performance might be with similar regions in the United States rather than with the nation as a whole. This more relevant comparison is made in Keith Phillips, Border Region Makes Progress in

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- the 1990s, *Vista* December 1999. Available at http://www.dallasfed.org/html/pubs/pdfs/vista/dec_99.pdf.
29. See *The Border Economy* June 2001. Available at http://www.dallasfed.org/html/pubs/border/tbe_6_01.pdf.