

Mexico Beyond NAFTA

Perspectives for the European debate

**Edited by Martin Puchet Anyul and
Lionello F. Punzo**



London and New York

Contents

<i>List of tables</i>	<i>xi</i>
<i>List of figures</i>	<i>xiv</i>
<i>Acknowledgments</i>	<i>xv</i>
<i>Preface</i>	<i>xvi</i>
<i>Notes on contributors</i>	<i>xxiii</i>

PART I

***Paths to convergence and monetary union(s)* 1**

***1 Currency boards and monetary unions: The road ahead or a cul de sac for Mexico's exchange rate policy?* 3**

DAVID IBARRA AND JUAN CARLOS MORENO-BRID

- | | | |
|-----|--|-----------|
| 1.1 | <i>Advantages and limitations of currency boards: an overview</i> | <i>4</i> |
| 1.2 | <i>A monetary union: a necessary step for Mexico's sub-regional integration?</i> | <i>11</i> |
| 1.3 | <i>Final considerations</i> | <i>14</i> |

***2 Is a convergence path of monetary policies possible under the North American Free Trade Agreement?* 21**

LUIS MIGUEL GALINDO AND HORACIO CATALAN

- | | | |
|-----|---|-----------|
| 2.1 | <i>Theoretical framework</i> | <i>22</i> |
| 2.2 | <i>The P* model</i> | <i>25</i> |
| 2.3 | <i>Empirical evidence</i> | <i>26</i> |
| 2.4 | <i>The estimated P* model</i> | <i>30</i> |
| 2.5 | <i>Conclusions and economic policy issues</i> | <i>35</i> |

***Comments* 46**

FRANCESCO FARINA

PART II

Mexico's foreign sector, the exchange rate, trade and productive structures **51**

3 *The external relationship of the Mexican economy with the United States, and its implications beyond trade* **53**

MARIA ELENA CARDERO

3.1 *A new export-import model* **53**

3.2 *The transborder integrated labor market* **66**

3.3 *Conclusions* **72**

4 *Exchange rate and competitiveness* **78**

PABLO RUIZ-NAPOLES

4.1 *Theoretical approaches to the exchange rate determinants* **78**

4.2 *Relative unit labor costs and real exchange rate* **80**

4.3 *ULC, wages and productivity* **89**

4.4 *Conclusions* **90**

5 *Vertical integration and comparative advantages* **102**

FIDEL AROCHE REYES

5.1 *Methodology* **103**

5.2 *Some tests on vertical integration and revealed comparative advantage* **106**

5.3 *Summary and conclusions* **112**

Comments **115**

BODO HILGERS AND JORGEN MECKL

PART III

Sectorial performance in manufacturing, industrial organization and the innovation system during the trade liberalization process **121**

6 *Integration and polarization: Mexico's economy since 1988* **123**

ENRIQUE DUSSEL PETERS

6.1 *Neoliberalism, export-oriented industrialization and liberalization strategy* **123**

6.2 *The impact of liberalization strategy* **128**

6.3 *Conclusions* **141**

7	<i>Liberalization policies and Mexico's competitiveness: Are technological capabilities upgraded or downgraded?</i>	147
	MARIO CIMOLI	
7.1	<i>Import substitution period</i>	148
7.2	<i>The transition period</i>	150
7.3	<i>The Exchange Rate Based Stabilization and the new incentive framework</i>	151
7.4	<i>The Mexican industrial performance and the corresponding analysis</i>	153
7.5	<i>The globalization of Mexican industry: towards a modernized assembly plant</i>	157
7.6	<i>Learning capabilities within firms and sectoral specificities</i>	160
7.7	<i>Conclusions</i>	168
8	<i>Trade integration and sectorial productivity</i>	174
	FJ [^] R BROWN AND LILIA DOMINGUEZ	
(8.1)	<i>The new Mexican industrial model</i>	175
8.2	<i>Manufacturing productivity 1984-94</i>	111
8.3	<i>Determinants of productivity</i>	180
8.4	<i>Conclusions</i>	186
	<i>Comments: International openness, dualism and growth</i>	190
	JEAN-LUC GAFFARD AND MICHEL QUERE	
PART IV		
	<i>Regional divergence and structural policies</i>	197
9	<i>Structural divergence and the dynamics of dualism: Lessons from Mexico before and after NAFTA</i>	199
	MARTIN PUCHET ANYUL AND LIONELLO F. PUNZO	
9.1	<i>Some of the old, new and newer perspectives on integration</i>	201
9.2	<i>Before or after NAFTA?</i>	204
9.3	<i>Structural change from the growth perspective</i>	206
9.4	<i>Structural change through a growth cycle approach</i>	210
9.5	<i>Structural dynamics in the long and the medium run</i>	213
9.6	<i>Dualism and growth traps</i>	216
9.7	<i>Economic policies for?</i>	233

10	<i>Regional policies in the North American and European integration agreements</i>	243
	<i>SARAH MARTINEZ PELLEGRINI</i>	
10.1	<i>The two treaties and their objectives</i>	243
10.2	<i>The institutional framework developed by the agreements</i>	246
10.3	<i>Policies involved in the agreements</i>	247
10.4	<i>Regional policies</i>	249
10.5	<i>Institutional change</i>	256
10.6	<i>Final remarks</i>	258
11	<i>The fiscal federal system in Mexico: Fiscal insurance with moral hazard</i>	262
	<i>JAIME SEMPERE AND HORACIO SOBARZO</i>	
11.1	<i>Determinants of moral hazard in the federal system</i>	262
11.2	<i>Mexican fiscal federalism</i>	264
11.3	<i>The institutional context</i>	266
11.4	<i>Redistribution</i>	270
11.5	<i>An example of moral hazard: the bailout of the states</i>	277
11.6	<i>Some proposals to reduce moral hazard</i>	278
	<i>Comments</i>	281
	<i>OLIVER FABEL AND BODO HILGERS</i>	
	<i>Index</i>	287