

Will NAFTA Free the Drug Trade?

Cocaine Businessmen Too Will Exploit Open Borders

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THE NORTH American Free Trade Agreement is now openly referred to as the "North American Drug Trade Agreement" by U.S. Customs and Drug Enforcement Agency personnel. This overt skepticism reflects discontent over the fact that national security concerns have been neglected in the NAFTA negotiations between Canada, Mexico and the United States. Two less-than-welcome imports are likely to increase under NAFTA: drug trafficking and violence.

In May, a New York Times story on NAFTA cited a U.S. government intelligence report which maintains that Mexican drug lords are buying so-called Maquiladora companies - firms that enjoy special exemptions from paying a portion of customs duties on goods they produce for shipment to the United States. The traffickers are then establishing trucking subsidiaries of the firms, ostensibly to ship the goods they produce. When NAFTA's provisions are fully implemented, the trucks operated by these firms will be able to ship goods virtually unimpeded to any point in the United States. The result is likely to be a sharp increase in the volume of drugs transported to the United States from Mexico.

As it is, a U.S. Embassy official in Mexico stated that 70 percent of the cocaine coming into this country enters via the Mexican border. Accordingly, most law-enforcement officials estimate that seized drugs represent at most, only 10 percent of the flow across these borders.

Evaluating the effectiveness of Mexico's anti-drug program is difficult. A recent congressional trip to Mexico with Reps. Dan Burton (R-Ind.) and John Duncan (R-Tenn.) left us with the impression that "soft-enforcement" measures were seeing a renewed, increasing effort. Soft enforcement is the seizure and eradication of drugs. Such efforts are easy to measure statistically and easy to implement politically.

Nothing we say or heard, however, led us to believe that Mexico had tackled "hard-enforcement," i.e. arresting significant drug figures, cracking down on money-laundering or disrupting drug enterprises. Without a real hard-enforcement anti-drug effort by the Mexicans, NAFTA will hurt.

More disturbing though, is the fact that the increased flow of drugs will be probably be accompanied by a surge in uncontrolled violence. A tragic illustration was the May 25 killing of Cardinal Juan Jesus Posadas Ocampo and six other innocent bystanders. The cardinal was caught in the crossfire of two feuding drug factions in a shoot-out at Guadalajara International Airport.

Nonetheless, increased violence is not the only negative consequence of the NAFTA-drug connection. Under the best circumstances, vast differences between the ethical framework for doing business in Mexico and that in the United States create significant problems for American firms operating across the Rio Grande. For example, the tradition of paying public officials and business agents bribes (known as mordida or the bite) is common. American firms, however, risk civil and criminal penalties under U.S. law if they pay them. When the influence of narcotics traffickers is injected into this already corrupt business environment, it becomes almost impossible for U.S. firms to do business legitimately.

The epidemic of drug-induced corruption has left the Mexican judicial system in a shambles. In the words of Jorge Tello, director general of the National Center for Drug Control, the drug trade leaves "trails of corrosion" that "erode Mexico's sovereignty."

Finally, NAFTA is not essential to the reforms needed in the Mexican business system. These reforms have been implemented over the past 10 years, reform that will continue with or without NAFTA. Jaime Zabludovsky, a Mexican government official and chief NAFTA negotiator, told us that: "Trade has doubled in the last four years without NAFTA . . . Trade will keep growing without NAFTA." Accordingly, the passage of NAFTA now appears to be largely a psychological security blanket for business, an expensive ego trip for senior government officials - and surely an opportunity for drug traffickers.

In the war on drugs, reducing availability is of paramount importance. NAFTA in its present form is likely to promote a quantum increase in drug availability. To approve NAFTA, based on mostly on hypothetical, if not flawed, economic data without considering its social, political and security ramifications will be detrimental to the United States.

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