in 1993 had registered a net outflow of U.S.$7.5 million, rose sharply in 1994, to reach a net inflow of U.S.$970 million as Mexican investors responded to the same economic and political instability in their home country that had provoked the reduction in U.S. FDI to Mexico (JETRO online).

NAFTA's Impact on Infrastructure

The NAFTA is just one more step toward making North America a region without economic borders. While the barriers to most labor mobility remain in place, the obstacles to trade and investment will largely disappear over the next fifteen years and firms will become free to export to, import from, and locate their operations anywhere in the region.

Economic integration generally increases trade flows between member countries.[7] And expanding trade flows, usually expressed in terms of their total monetary value, result in increasing flows of tangible goods (freight flows). This, in turn, heightens the pressures on all existing transportation infrastructure, including highways, railroads, and airport and seaport facilities. If the transportation infrastructure is already operating at or near capacity, this could delay the delivery of inputs and/or finished products, offsetting some of the competitive advantages (such as lower tariffs and reduced transaction costs) that economic integration is supposed to guarantee.

Resolving transportation bottlenecks as they appear will require close collaboration between private firms and government agencies in the NAFTA countries. Transportation planning must be done internationally in order to ensure fast and dependable access to the trinational market. For trade to flow easily, inspection facilities at international borders must be expanded and improved; although the NAFTA cuts tariffs and nontrade barriers, border inspections are still needed to enforce rules of origin and phytosanitary restrictions and to interdict smuggled drugs and undocumented border crossers. New inspection technology is being introduced at expanded border inspection stations on both the U.S.–Canada and U.S.–Mexico borders, but the expanded volume of freight stimulated by the NAFTA still threatens to overwhelm existing capabilities.

[7] Trade flows consist of traditional exports and imports as well as informal border transactions between neighboring communities on international borders. The latter may or may not increase, depending on many other factors, including exchange rates and limits on merchandise that consumers can bring directly into the country.