

January 5, 2007

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Dear Mr. Edwards:

I am writing to call your attention to some errors in the World Bank publication, "Lessons From NAFTA for Latin America and the Caribbean Countries," which you reviewed for the World Bank in "The World Bank's Research on Trade Policy, 1998-2005: An Evaluation."

We are planning to ask the Bank to retract and/or correct this study on the basis of these errors. We hope that you will concur with us on this matter.

The errors are described in our paper, "[Getting Mexico to Grow With NAFTA: The World Bank's Analysis](#)." If you have just 30 seconds to consider whether these errors are serious enough to negate the results of the report, I would recommend looking at Figure 3, page 7 of our paper. There you can see the most important error: the authors transformed their quarterly exchange-rate data in a way that actually captured real exchange-rate fluctuations, rather than movements in ppp GDP (as intended), in their transformed data.

There are other errors as well, which are described in our paper. We did a prior version of this paper (NAFTA at Ten: The Recount) in March of 2003; the authors of the WB paper then changed their own version two times (that we know of – the revised versions do not note that they are revised). Hence our second version, described above, of October 2004, is the more relevant version, as it looks at the most recent (May 2003) version of the WB report that appears on the web.

It may well be that Mexico's economy would have grown even slower than the 16.9 percent per capita GDP increase for the 12 years from 1994-2006, in the absence of NAFTA. However I think you will agree that the Bank's research in this report provides no econometric evidence that this is the case. Since this part of the report claims that it does provide such evidence, it should be retracted and/or corrected.

We would be pleased to discuss this matter at any time, and please let me know if you would like further information.

Sincerely,

Mark Weisbrot, Co-Director
Center for Economic and Policy Research