

After NAFTA: Mexico, a Ship on Fire

Poorer Than His Parents Ever Were

[In the late 1980s], Javier Pérez could provide for his family. He grew enough corn and beans on his small plot of land in southern Mexico to feed his wife and five children, and sold his extra harvest for money to buy shoes, schoolbooks, and other necessities. Over the years, Javier earned enough to send his five children to primary school and fix up his modest, dirt-floor house.

Then Javier lost his market for corn and beans. Upon Mexico's entry into the North American Free Trade Agreement (NAFTA) with Canada and the United States in 1994, imported U.S. corn and other basic foods flooded the Mexican market, leaving Javier with nowhere to sell his crops. At the same time, cuts in government support to small farmers raised his cost of production.

In recent years, Javier has planted papaya, cantaloupe, tomatoes and watermelon in turn. But without resources, technology, or a secure market, he ended up with a barn full of rotting fruit and a growing debt with the bank. Like the majority of Mexicans, Javier is now poorer than his parents ever were. In order to keep the family afloat financially, his eldest son has already left for the United States, where he found work as a migrant farmworker and sends money home periodically. Another son and daughter are considering emigrating. The results of a trade agreement between a developing country and the world's largest economy are as anyone would predict. [Y]ears after NAFTA's implementation, U.S. corporate profits are skyrocketing. In fact, the economic elite on both sides of the border reap huge benefits, while the majority of Mexicans watch their buying power drop and wages stagnate.

From "A Hemisphere for Sale: The Epidemic of Unfair Trade in the Americas," by Witness for Peace, 2001, www.witnessforpeace.org/downloads/hemisphere_1.pdf.

Small Farmers Can't Compete

The river of cheap American corn began flooding into Mexico after NAFTA took effect in 1994. Since then, the price of corn in Mexico has fallen by half. A 2003 report by the Carnegie Endowment says this flood has washed away 1.3 million small farmers. Unable to compete, they have left their land to join the

swelling pools of Mexico's urban unemployed. Others migrate to the United States to pick our crops — former farmers become day laborers.

The cheap U.S. corn has also wreaked havoc on Mexico's land, according to the Carnegie report. The small farmers forced off their land often sell out to larger farmers who grow for export, farmers who must adopt far more industrial (and especially chemical- and water-intensive) practices to compete in the international marketplace. Fertilizer runoff into the Sea of Cortez starves its marine life of oxygen, and Mexico's scarce water resources are leaching north, one tomato at a time.

Mexico's industrial farmers now produce fruits and vegetables for American tables year-round. It's ridiculous for a country like Mexico whose people are often hungry to use its best land to grow produce for a country where food is so abundant that its people are obese — but under free trade, it makes economic sense.

Meanwhile, the small farmers struggling to hold on in Mexico are forced to grow their corn on increasingly marginal lands, contributing to deforestation and soil erosion.

From "A Flood of U.S. Corn Rips at Mexico," by Michael Pollan, *Los Angeles Times*, April 23, 2004, www.commondreams.org/views04/0423-02.htm.

Economic Devastation

Predictions of U.S. job losses [after NAFTA passed] were, if anything, underestimated. By November 2002, the U.S. Department of Labor had certified 507,000 workers for extensions of unemployment benefits under the treaty because their employers had moved their jobs south of the border. Most observers believe that is actually a significant undercount, partly because many workers losing jobs don't know they qualify for trade-related benefits. According to the Economic Policy Institute in Washington, NAFTA eliminated 879,000 U.S. jobs because of the rapid growth in the net U.S. export deficit with Mexico and Canada.

While the job picture for U.S. workers was grim, NAFTA's impact on Mexican jobs was devastating. Before leaving office (and Mexico itself, pursued by

charges of corruption), President Carlos Salinas de Gortari promised Mexicans they would gain the jobs Americans lost. In the United States, he promised that this job gain would halt the northward flow of Mexican job-seekers.

NAFTA's first year saw instead the loss of more than a million jobs across Mexico. To attract investment, NAFTA-related reforms required the privatization of factories, railroads, airlines and other large enterprises. This led to huge waves of layoffs. Mexican enterprises and farmers, who couldn't compete with U.S. imports, also shed workers, and the subsequent peso devaluation cost even more jobs. Because unemployment and economic desperation in Mexico increased, immigration to the United States has been the only hope for survival for millions of Mexicans.

For a while, however, it seemed that the growth of maquiladora factories along the border would make up for at least part of the job loss. By 2001, more than 1.3 million workers were employed in some 2,000 border plants, according to the Maquiladora Industry Association. But tying the jobs of so many Mexicans to the U.S. market, for which the plants were producing, proved a disaster as well. When U.S. consumers stopped buying as the recession hit in 2001, maquiladoras also began shedding workers. The Mexican government estimates that more than 400,000 jobs disappeared in the process — as the saying goes on the border, when the U.S. economy catches cold, Mexico gets pneumonia.

From "NAFTA's Legacy — Profits and Poverty," by David Bacon, *San Francisco Chronicle*, Jan. 14, 2004, www.organicconsumers.org/corp/nafta011904.cfm.

Trade Brings Riches — to the Rich

While the percentage of poor Mexicans is about the same now as it was in the early 1980s — a little more than 50 percent — the population has grown over the same period, from 70 million to 100 million. That means about 19 million more Mexicans are living in poverty than 20 years ago, according to the Mexican government and international organizations. About 24 million — nearly one in every four Mexicans — are classified as extremely poor and unable to afford adequate food.

... Studies show that the richest 10 percent now control about half of the country's financial and real estate assets. Most of those who are extremely poor live in rural areas. Government figures show that more than 40 percent of Mexicans in rural areas earn less than \$1.40 a day, unable even to feed themselves decently. As a result, people are bailing out of the countryside as if it were a ship on fire.

Mexico's rural population is less than half the size it was in the 1950s. Government surveys show that between 400 and 600 people a day are packing up, fleeing to cities or to the United States.

Alberto Gomez, an influential farmers' leader who recently organized a march on the capital by tens of thousands of farmers, said the situation was desperate. "We don't want to come to the city and we don't want to immigrate to the United States. But people have no money," said Gomez, head of the 180,000-member National Union of Agriculture Organizations.

Gomez and many politicians blame much of their problem on NAFTA, which they say bankrupted Mexican farmers who cannot compete with their heavily subsidized, more technologically advanced U.S. counterparts. While a boon to the maquiladoras and a blessing to certain bigger farmers, NAFTA has inflicted more pain on already ailing small farmers, most economists and analysts here agree.

Beginning in the 1980s, the government began systematically withdrawing subsidies and aid to the countryside, partly because a severe financial crisis strangled the budget, and partly because it believed that free market reforms would ultimately strengthen the sector.

Money for irrigation, crop storage facilities, government agricultural research and fertilizer was virtually zeroed out. Price supports were reduced. According to José Luis Calva, an economist who specializes in rural Mexico, government aid to the countryside has dropped 95 percent since 1982. At the same time, the value of some of the most important Mexican crops, including corn, beans, and coffee, has fallen as worldwide production has risen.

From "Trade Brings Riches, but Not to Mexico's Poor," by Mary Jordan and Kevin Sullivan, *Washington Post*, March 22, 2003, www.globalpolicy.org/component/content/article/213/45611.html

Rethinking the NAFTA Record

TOTAL TRADE INCREASE

NAFTA supporters emphasize that total trade among the NAFTA countries has more than doubled since the deal went into effect on Jan. 1, 1994.

Total Trade Among NAFTA Partners

in billions of dollars



Source: U.S. Trade Representative.

FOREIGN INVESTMENT BOOM

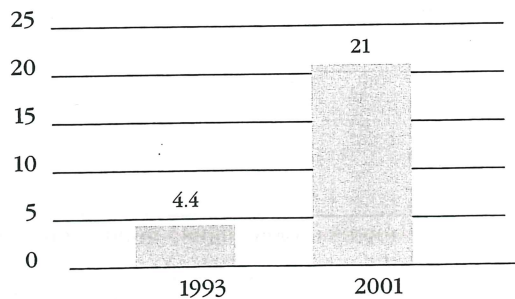
NAFTA made Mexico more appealing to foreign investors in two ways:

- By requiring Mexico to allow free entry and exit of investment in all sectors.
- By lifting trade barriers (making production there for export to the United States more profitable).

As a result, U.S. companies have increased long-term investment in Mexican factories and other businesses.

Net Foreign Direct Investment in Mexico

in billions of dollars



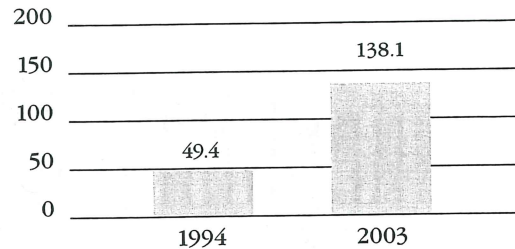
Source: World Bank, *Global Development Finance 2002*.

EXPORT SURGE TO THE UNITED STATES

Mexican exports to the United States increased from \$49.4 billion in 1994 to \$138.1 billion in 2003.

Mexican Exports to the United States

in billions of dollars



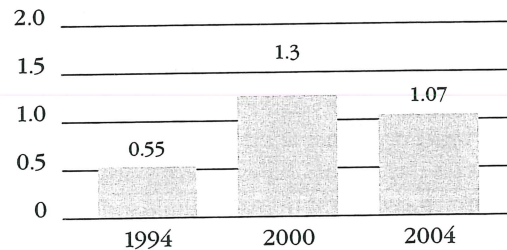
Source: U.S. Census Bureau, "U.S. Trade Balance with Mexico."

RISE AND FALL IN MAQUILADORA EMPLOYMENT

The number of Mexicans employed in factories that produce goods for export more than doubled during the first six years of NAFTA. But since then the country has lost more than 230,000 export assembly jobs.

Maquiladora Employment

in millions of people



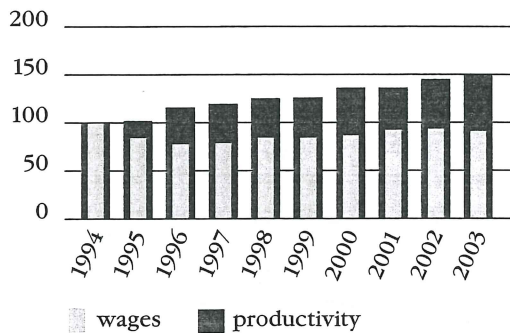
Source: Instituto Nacional de Estadística Geografía e Informática (INEGI).

WAGE DROP

Despite the flood of foreign investment in Mexican manufacturing, average workers have seen few of the benefits. The real value of the average manufacturing wage dropped 9 percent between 1994 and 2003.

Mexican Manufacturing Wages and Productivity

index: 1994 = 100

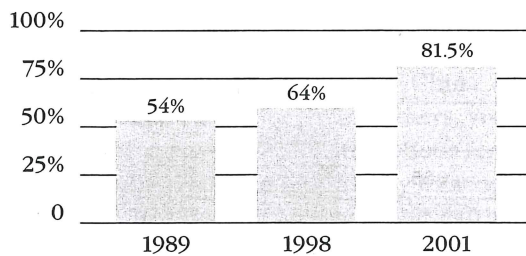


Source: Instituto Nacional de Estadística Geografía e Informática (INEGI).

INCREASE IN POVERTY

Since Mexico's neoliberal reforms and NAFTA, prices for farm produce in Mexico, especially corn, have fallen dramatically. Of working Mexicans, 25 percent are still farmers, compared to less than 2 percent of working people in the United States.

Rural Mexicans Living in Poverty



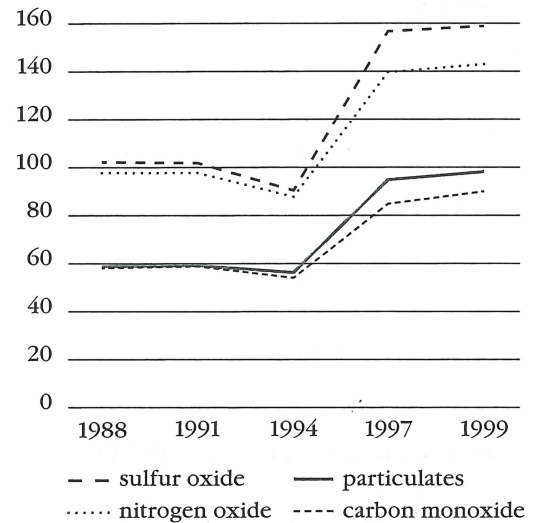
Source: Mexican Agricultural Ministry, SAGARPA, in "Corn, and Mexico's Agricultural Trade Liberalization," by Gisele Henriques and Raj Patel, International Relations Center, 2004.

INDUSTRY-RELATED POLLUTION

Air pollution from Mexican manufacturing has increased since NAFTA went into effect. Despite promises by NAFTA promoters, the increase in pollution from both industry and the growing population has not coincided with sufficient investment in environmental infrastructure.

Air Emissions in Mexican Manufacturing

in thousands of tons



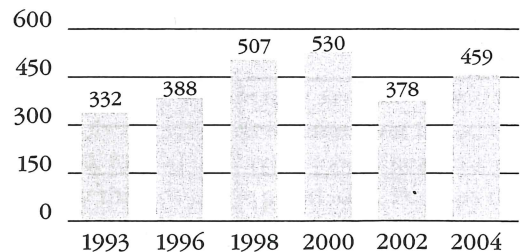
Source: Kevin Gallagher, "Trade Liberalization and Industrial Pollution in Mexico: Lessons for the FTAA," Tufts University, October 2000.

IMMIGRATION TO THE UNITED STATES

Immigration from Mexico increased dramatically after the passage of NAFTA. It declined after the 9/11 attacks, but began to rise again in 2004.

Immigrants from Mexico to the United States

in thousands



Source: Jeffrey S. Passel and Roberto Suro, "Rise, Peak, and Decline: Trends in U.S. Immigration, 1992-2004," Pew Hispanic Center, 2005.

Adapted from "Rethinking the NAFTA Record," by Sarah Anderson and John Cavanagh, Institute for Policy Studies, 2004.