

NAFTA model brings economic and social pain to Mexico

NAFTA model devastates Mexico's rural sector while poverty increases

- Mexican government data show that elimination of food security policies under NAFTA led to 1.3 million Mexican peasant farmers losing their livelihoods as subsidized U.S. food imports flooded the market.¹
- While the price paid Mexican corn farmers fell by about half following NAFTA, the deregulated retail price of tortillas shot up hundreds of percentage points over the pact's first five years² – in sharp contrast to promises by NAFTA's boosters that Mexican consumers would benefit from the pact.
- Prior to NAFTA, 36 percent of Mexico's rural population earned less than the minimum needed for food, a number that grew by nearly 50 percent in the agreement's first four years. The percentage of the population in this state of poverty in Mexico today remains roughly where it was before NAFTA despite the promised made by the pact's proponents.³
- According to the *Washington Post* on the 10-year anniversary of NAFTA, "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."⁴

NAFTA model: lowered Mexican wages, rise in poorly-compensated temporary employment⁵

- A 2006 comprehensive found that inflation-adjusted wages for virtually every category of Mexican worker decreased over NAFTA's first six years.
- The workers that experienced the highest losses of real earnings were employed women with basic education (-16.1 percent) and employed men with advanced education (-15.6 percent).
- The only exception to the downward earnings trend was earnings for mobile-street vendors – the very poor people that hawk candy and trinkets on Mexican streets. Even in that category, earnings were still below their 1990 levels, and only slightly better than their 1994 levels.
- Overall, there has been a shift from formal, wage- and benefit-earning employment to informal, non-wage- and benefit-earning employment under NAFTA. Even formal employment has shifted to carrying fewer benefits than it did prior to the pact's passage.
- *Maquiladora* (sweatshop) employment, where wages are almost 40 percent lower than those paid in heavy non-*maquila* manufacturing, surged in NAFTA's first six years. But since 2000, hundreds of factories and hundreds of thousands of jobs in this sector have been displaced as China joined the WTO and Chinese sweatshop exports gained global market share.

NAFTA model: surge in immigration and dangerous border crossings from Mexico

- NAFTA's boosters claimed that the pact would limit immigration. Former Mexican president Carlos Salinas for instance famously said that the choice over NAFTA was the choice of "accepting Mexican tomatoes or Mexican migrants that will harvest them in the United States."⁶
- According to the Pew Hispanic Center, the number of people immigrating to the United States from Mexico decreased by 18 percent in the three years preceding NAFTA's implementation. However, the number of annual immigrants from Mexico surged from 332,000 in 1993 (the year before NAFTA went into effect) to 530,000 in 2000 – a 60 percent increase over the period.⁷
- The number of undocumented immigrants in the United States (who are mostly Mexican and Central American) increased 185 percent over the period, from 3.9 million in 1992 to 12 million in 2005.⁸

NAFTA model: Mexico misses chance to achieve European living standards

- An estimated 28,000 small/medium-sized Mexican businesses were destroyed in NAFTA's first four years.⁹
- In Mexico, the richest 10 percent of the population makes 45 times what the poorest 10 percent make, while – despite the promises of NAFTA's corporate boosters – the country's income inequality index remains among the highest in the world.¹⁰
- Defenders of NAFTA cite Mexico's average annual growth rates since NAFTA of 1.3 percent to argue that the trade pact was good for Mexico. But Mexico's per capita income only grew by a total of 15 percent over

1980-2000 – and only 1.7 percent over 2000-05 – when NAFTA and the WTO were in place. In sharp contrast, prior to NAFTA from 1960 to 1980, Mexico’s per capita income grew by a healthy 100 percent, or four percent on average per year.¹¹ Mexico would be very close to European living standards today if it had continued its previous rate of growth.

For more information or to get involved in demanding fair trade policies, contact Public Citizen’s Global Trade Watch at www.tradewatch.org and 202-454-5106.

ENDNOTES

¹ John Audley, Sandra Polaski, Demetrios G. Papademetriou, and Scott Vaughan, “NAFTA’s Promise and Reality: Lessons from Mexico for the Hemisphere,” Carnegie Endowment for International Peace Report, Nov. 19, 2003.

² Alejandro Nadal, “The Environmental & Social Impacts of Economic Liberalization on Corn Production in Mexico,” Study Commissioned by Oxfam Great Britain and World Wildlife Fund International, September 2000, at 28 and 38; and John Ward Anderson, “Tortilla Price Hike Hits Mexico’s Poorest,” *Washington Post*, Jan. 12, 1999.

³ Colombia and Mexico Country Management Unit, Latin America and the Caribbean Region, Poverty Reduction and Economic Management Division, “Poverty in Mexico: An Assessment of Conditions, Trends and Government Strategy,” World Bank Report No. 28612-ME, June 2004, at 57.

⁴ Mary Jordan and Kevin Sullivan, “Trade Brings Riches, but Not to Mexico’s Poor,” *Washington Post*, March 22, 2003.

⁵ Data for this section taken from Carlos Salas, “Between Unemployment and Insecurity in Mexico: NAFTA Enters Its Second Decade,” in Robert E. Scott, Carlos Salas, and Bruce Campbell, *Revisiting NAFTA: Still Not Working for North America’s Workers*, (Washington, D.C.: Economic Policy Institute, 2006).

⁶ Juan Arvizu, “Preocupa la falta de acuerdo migratorio,” *El Universal* (Mexico), April 24, 2005.

⁷ The number was slightly lower, but still above historical norms, at 459,000 in 2004. Jeffrey S. Passel and Roberto Suro, “Rise, Peak and Decline: Trends in U.S. Immigration 1992 – 2004,” Sept. 27, 2005, Pew Hispanic Center, at 39.

⁸ Jeffrey S. Passel, “The Size and Characteristics of the Unauthorized Migrant Population in the U.S.: Estimates Based on the March 2005 Current Population Survey,” Pew Hispanic Center Research Report, March 7, 2006, at 9.

⁹ Jose María Imaz, “NAFTA Damages Small Businesses,” *El Barzón* (Mexico City), January 1997.

¹⁰ United Nations, Human Development Report 2005, at 270.

¹¹ Numbers from International Monetary Fund’s World Economic Outlook 2005; calculations by the Center for Economic and Policy Research. See Mark Weisbrot, David Rosnick, and Dean Baker, “Getting Mexico to Grow with NAFTA: The World Bank’s Analysis,” Center for Economic and Policy Research Issue Brief, Oct. 13, 2004.