



NAFTA's Legacy for Mexico: Economic Displacement, Lower Wages for Most, Increased Immigration

NAFTA devastated Mexico's rural sector, increased poverty

- The agricultural provisions of the North American Free Trade Agreement (NAFTA), which removed Mexican tariffs on corn imports and eliminated programs supporting small farmers but did not discipline U.S. subsidies, led to widespread dislocation in the Mexican countryside. Amidst a NAFTA-spurred influx of cheap U.S. corn, the price paid to Mexican farmers for the corn that they grew fell by 66 percent after NAFTA, forcing many to abandon farming.¹ Mexico's participation in NAFTA also helped propel a change to the Mexican Constitution's land reform, undoing provisions that guaranteed small plots – “*ejidos*” – to the millions of Mexicans living in rural villages.² As corn prices plummeted, indebted farmers lost their land, which newly could be acquired by foreign firms that consolidated prime acres into large plantations.
 - As an exposé in the *New Republic* put it, “as cheap American foodstuffs flooded Mexico's markets and as U.S. agribusiness moved in, 1.1 million small farmers – and 1.4 million other Mexicans dependent upon the farm sector – were driven out of work between 1993 and 2005. Wages dropped so precipitously that today the income of a farm laborer is one-third that of what it was before NAFTA. As jobs disappeared and wages sank, many of these rural Mexicans emigrated, swelling the ranks of the 12 million illegal immigrants living incognito and competing for low-wage jobs in the United States.”³
- Though the price paid to Mexican farmers for corn plummeted after NAFTA, the deregulated retail price of tortillas – Mexico's staple food – shot up 279 percent in the pact's first 10 years.⁴ NAFTA included service sector and investment rules that facilitated consolidation of grain trading, milling, baking and retail so that in short order the relatively few remaining large firms dominating these activities were able to raise consumer prices and reap enormous profits as corn costs simultaneously declined.⁵ This result stands 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 income needed for food, a share that grew by nearly 50 percent in the agreement's first three years.⁶ On the 10-year anniversary of NAFTA, the *Washington Post* reported, “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.”⁷ Today, over half of the Mexican population, and over 60 percent of the rural population, still fall below the poverty line, despite the promises made by NAFTA's proponents.⁸

After NAFTA, Mexican wages shrank, poorly paid temporary employment grew

- Real wages in Mexico have fallen below pre-NAFTA levels as price increases for basic consumer goods have exceeded wage increases. Despite promises that NAFTA would benefit Mexican consumers by granting access to cheaper imported products, the cost of basic consumer goods in

Mexico has risen to seven times the pre-NAFTA level, while the minimum wage stands at only four times the pre-NAFTA level. As a result, a minimum wage earner in Mexico today can buy 38 percent fewer consumer goods as on the day that NAFTA took effect.⁹

- One comprehensive study found that inflation-adjusted wages for virtually every category of Mexican worker decreased over NAFTA's first six years.¹⁰
 - 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 who 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 2001, hundreds of factories and hundreds of thousands of jobs in this sector have been displaced as China joined the World Trade Organization and Chinese sweatshop exports gained global market share.¹¹

NAFTA led to surge in immigration and dangerous U.S.-Mexico border crossings

- NAFTA's boosters claimed that the pact would limit immigration. Former Mexican president Carlos Salinas for instance famously said that the U.S. decision over NAFTA was a choice between "accepting Mexican tomatoes or Mexican migrants that will harvest them in the United States."¹²
- According to the Pew Hispanic Center, the number of people immigrating to the United States from Mexico remained steady in the three years preceding NAFTA's implementation. However, the number of annual immigrants from Mexico more than doubled from 370,000 in 1993 (the year before NAFTA went into effect) to 770,000 in 2000 – a 108 percent increase.¹³ The immigration surge coincided with a NAFTA-enabled flood of subsidized U.S. corn into Mexico.¹⁴
- The number of undocumented immigrants from Mexico who are living in the United States has also doubled under NAFTA, from about 2.9 million in 1995 to 5.9 million in 2012.¹⁵

Under NAFTA, Mexico missed chance to achieve European-level living standards

- An estimated 28,000 small- and medium-sized Mexican businesses were destroyed in NAFTA's first four years, including many retail, food processing and light manufacturing firms that were displaced by NAFTA's new opening for U.S. big box retailers that sold goods imported from Asia.¹⁶
- The richest 20 percent of Mexico's population collect over half of the nation's income while the poorest 20 percent earn less than 5 percent. Despite the promises of NAFTA's corporate proponents, the country's income inequality index remains among the highest in the world.¹⁷
- NAFTA supporters promised the deal would yield strong growth rates for Mexico. Yet, Mexico's average annual growth per capita in NAFTA's first two decades ranked 18th out of the 20 countries of Central and South America, according to the Center for Economic and Policy Research.¹⁸ Indeed, under 20 years of NAFTA, Mexico's annual per capita growth rate has been a paltry 1.1 percent, resulting in a cumulative growth of just 24 percent. In contrast, from 1960 through 1980, Mexico's per capita gross domestic product grew 102 percent, or 3.6 percent per year.¹⁹ Mexico would be close to European living standards today if it had continued its previous growth rates.

For more information, please visit Public Citizen's Global Trade Watch at www.TradeWatch.org.

ENDNOTES

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- ³ John B. Judis, "Trade Secrets," *The New Republic*, April 9, 2008.
- ⁴ Gisele Henriques and Raj Patel, "NAFTA, Corn, and Mexico's Agricultural Trade Liberalization," Interhemispheric Resource Center, Feb. 13, 2004, at 6, Available at: <http://dspace.cigilibrary.org/jspui/bitstream/123456789/113/1/NAFTA%20Corn%20and%20Mexicos%20Agricultural%20Trade%20Liberalization.pdf>.
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- ⁶ 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. Available at: http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2004/07/13/000012009_20040713141715/Rendered/PDF/286120ME.pdf.
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- ⁸ World Bank, "World dataBank: World Development Indicators," accessed Dec. 16, 2013. Available at: <http://databank.worldbank.org>.
- ⁹ Minimum wage data comes from Servicio de Administracion Tributaria, "Salarios Minimos 2013," accessed December 20, 2013. Available at: http://www.sat.gob.mx/sitio_Internet/asistencia_contribuyente/informacion_frecuente/salarios_minimos/. Consumer price data comes from Financial Red, "Canasta Básica Mexicana 2013," December 4, 2013. Available at: <http://elinpc.com.mx/canasta-basica-mexicana/>.
- ¹⁰ Data for this bullet point 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).
- ¹¹ 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," Economic Policy Institute, Briefing Paper 173, September 28, 2006. Available at: <http://s2.epi.org/files/page/-/old/briefingpapers/173/bp173.pdf>.
- ¹² Juan Arvizu, "Preocupa la falta de acuerdo migratorio," *El Universal* (Mexico), April 24, 2005.
- ¹³ Jeffrey Passel, D'Vera Cohn, and Ana Gonzalez-Barrera, "Net Migration from Mexico Falls to Zero—and Perhaps Less," Pew Hispanic Center, April 23, 2012, at 45. Available at: http://www.pewhispanic.org/files/2012/04/Mexican-migrants-report_final.pdf.
- ¹⁴ U.S. corn exports to Mexico are inflation-adjusted annual domestic exports of unmilled maize (SITC 04490), from U.S. International Trade Commission, "Interactive Tariff and Trade Dataweb," accessed December 27, 2012. Available at: <http://dataweb.usitc.gov/>. Annual immigration from Mexico to the United States is from Jeffrey Passel, D'Vera Cohn, and Ana Gonzalez-Barrera, "Net Migration from Mexico Falls to Zero – and Perhaps Less," Pew Research Center: Hispanic Trends Project, April 23, 2012, at 45. Available at: http://www.pewhispanic.org/files/2012/04/Mexican-migrants-report_final.pdf.
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- ¹⁶ Jose María Imaz, "NAFTA Damages Small Businesses," *El Barzón* (Mexico City), January 1997.
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- ¹⁹ World Bank, "World dataBank: World Development Indicators," accessed December 21, 2013. Available at: <http://databank.worldbank.org>. Calculated using compound annual growth rates, based on gross domestic product per capita.