

Nothing Fails Like Success: NAFTA's Sorry Track Record in Mexico

CENTER FOR POPULAR ECONOMICS

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Beset by a debt crisis and falling revenues for its oil-dependent budget, the Mexican government with some decided prodding from the World Bank, IMF, and assorted creditors set out in the 1980s to transform its economy from one of the world's most protected to one of

the most open. With the North American Free Trade Agreement as the capstone of the apertura, the government sought to create an export-led

boom financed by foreign investment. Too bad for most Mexicans that they succeeded.

Since 1985, when Mexico began its rapid liberalization process, exports

have doubled and foreign direct investment has nearly tripled. With inflation somewhat calmed and budgets trimmed, the NAFTA ship was ready

to set sail. Instead it has floundered, with prevailing trade winds blowing the economy in entirely the wrong direction.

According to official figures from the World Bank and the Mexican government:

Economic growth has been slow. Since 1985, Mexico has seen per capita real growth of just 1%, compared to 3.4% from 1960 to 1980.

Job growth has been sluggish. There has been little job creation, falling far short of the demand in Mexico from new entrants into the labor force. Manufacturing, one of the few sectors to show significant

economic growth, has seen a net loss in jobs since NAFTA took effect. This is despite a 45% increase in productivity.

The new jobs are not good jobs. Some 60% of the employed do not receive

any of the benefits mandated by Mexican law. At least one-third of the

economically active population works in the informal sector.

Wages have declined. The real minimum wage is down 60% since 1982, 23%

under NAFTA. Contractual wages are down 55% since 1987. Manufacturing wages are down 12% under NAFTA.

Poverty has increased. The number of households living in poverty has grown 80% since 1984, with some 75% of Mexico's people now below the poverty line. Income distribution has become more lopsided, leaving Mexico with one of the hemisphere's most unequal societies.

The rural sector is in crisis. Four-fifths of rural Mexico lives in poverty, over half in extreme poverty.

Imports surpass exports. With many of those exporters importing most of their inputs, Mexico's balance-of-trade looks worse today than before NAFTA.

The environment has deteriorated. The Mexican government estimates that

the economic costs of environmental degradation have amounted to 10% of

annual GDP, or \$36 billion per year. These costs dwarf economic growth, which amounted to only \$9.4 billion annually.

In many ways, Mexico got what NAFTA promised: trade and investment. Unfortunately, these have not translated into benefits for the Mexican

population as a whole or into improvements in the country's fragile environment. As other governments in Latin America and the Caribbean consider signing on to the Free Trade Area of the Americas a self-described "NAFTA for the hemisphere" they would do well to look at Mexico and think very, very carefully about what they wish for.

Sources:

To get more in depth analysis read our book, *Confronting Globalization:*

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Timothy A. Wise, "NAFTA's Untold Stories: Mexico's Grassroots Responses

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<http://ase.tufts.edu/gdae/Pubs/rp/NAFTA'sUntoldStoriesJune03TW.htm>

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Confronting Globalization: Economic Integration and Popular Resistance in Mexico (Kumarian Press 2003).

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