

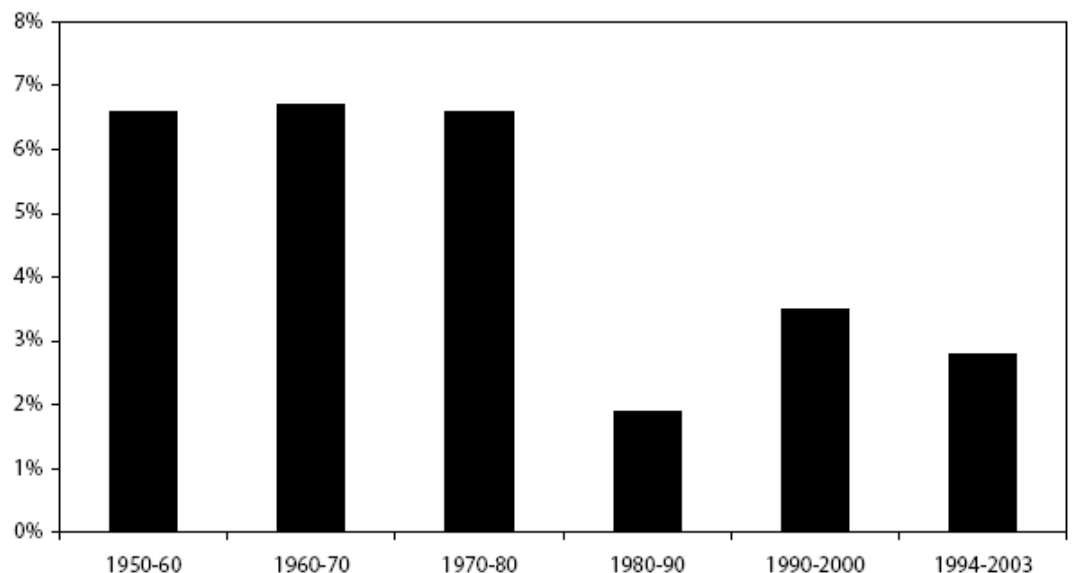


NAFTA & Mexico

Contrary to NAFTA's stated objectives, the Mexican economy has failed in its promise to create quality jobs and to address the erratic and feeble growth of workers' income. Mexico's global trade deficit is growing despite its increasing trade surplus with the United States, and the race to the bottom set off by NAFTA has meant nothing better than low-wage work for most Mexican workers, while benefiting large companies, the financial sector, and a thin layer of administrative and professional workers who are earning high salaries. Employment has become increasingly precarious overall, the agricultural sector has suffered a large and steady loss of employment, and real salaries remain below the levels of the early 1990s, as Mexico's dependence on global imports grows.

- GDP growth**
- ❖ Mexico experienced real, average annual GDP growth rates of 6.6 % per year or more between 1950 and 1980. Aside from the 1980s, after the petro-dollar crisis of 1982, Mexico experienced its lowest average growth rate after NAFTA took effect, falling to 2.8% per year between 1994 and 2003.
 - ❖ The average annual GDP growth rate for the NAFTA years 1994-2003 was about 3%, while higher than the 1980-1990 growth of the petro-dollar crisis, was lower than the 1990-2000 period, which suggests that Mexico's economy was rebounding faster in the pre-NAFTA years than after NAFTA took effect.

Average annual GDP growth in Mexico: 1950 - 2003



SOURCE: ECLAC, Statistical Yearbook, various years.

**Trade
balance
with U.S.**

- ❖ Mexico's \$45 billion trade surplus with the United States (in 2004) turns into an \$8.3 billion deficit when trade with Europe and Asia is taken into account.
- ❖ Mexico's exports are mostly manufactured products that absorb a significant amount of imported inputs. Consequently, when the economy grows, so does the trade deficit. Beginning in 1980, the need to import more in order to grow had heightened to such an extent that a 1% increase in GDP increased import demand by 2.66%. The strong dependency of internal growth on imports is explained by the destruction of domestic productive chains, a phenomenon due in part to market opening and too many industrial sectors being uncompetitive.

**Foreign
Direct
Investment
(FDI)
Jobs &
Income**

- ❖ The \$93.5 billion in "new investments" which comprised the majority of FDI (total FDI was \$162.1 billion between 1994-2004), are mostly acquisitions by foreign firms of existing Mexican ones as a way to consolidate their entrance into the Mexican market.
- ❖ Employment in the agricultural sector began a steady drop at the end of 1993, falling to 6.8 million employed workers by the end of 2004. The worst hit were corn producers, with a total loss of over a million jobs.
- ❖ The agricultural sector has suffered a large and steady loss of employment due to NAFTA. The share of the population engaged in agricultural activities fell from 26.8% in 1991 to 16.4% in 2004, a significant decrease.

**Social
Supports
Shrink**

- ❖ Wages in the maquiladora sector are almost 40% lower than those in heavy non-maquila manufacturing
- ❖ 23% of the new wage-earning positions generated between the second quarter of 2000 and the second quarter of 2004 have no benefits at all, and only 37% of the new jobs have full social security benefits.
- ❖ As of the second quarter of 2004, 43% of the total of wage-earning workers labored under a verbal contract, of which 86% received no benefits.

Source

Revisiting NAFTA: Still not working for North America's workers, by Robert E. Scott, Carlos Salas, and Bruce Campbell. September 28, 2006

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