



## Broken Promises: NAFTA at 15

### Executive Summary

When NAFTA was implemented in 1994, Mexicans were told that increases in trade, foreign direct investment and exports would raise incomes and the standard of living in Mexico. As then Mexican President Carlos Salinas said, “Mexico will become part of the first world.” The promises included reduced migration, more and better jobs, and lower prices for goods. After 15 years, a straightforward assessment reveals that these promises were not realized, and that the socio-economic situation has drastically declined. While trade and foreign direct investment have dramatically increased in Mexico, only 10% of the population has seen elevated incomes and a higher standard of living, and millions have seen no other option but to migrate.

**An average of 500,000 Mexicans** migrate to the U.S. each year since the implementation of NAFTA, compared to 235,000 per year previously. Two thirds of Mexican born immigrants in the U.S. came after 1994. This estimated 4.13 million people arrived due, in large part, to the influx of cheap subsidized grains from the U.S, resulting in the **decimation of at least two million farming jobs** and **eight million small farmers**.

The **1.3 million jobs** created during the peak period of the **maquiladora industry** –assembly plants, typically foreign owned – have only provided **a small portion of the jobs needed** to cover the millions of workers pushed off their farms or forced out of Mexico’s devastated domestic industries. *Maquiladoras*, originally touted as a job creator for Mexico, source raw materials for production usually from their own subsidiaries outside of the country. This has disrupted the chain of production that was dominated by Mexican industry before NAFTA. Employment creation in the *maquiladora* industry has declined since 2001; estimates indicate that **1/3 of the new jobs created have been lost since 2001** as a result of companies moving to Central America, Southeast Asia, and China. The resulting workforce surplus has kept wages extremely low in Mexico. A Mexican immigrant in the U.S. can earn more in one hour than in a whole day in a *maquiladora* in Mexico.

NAFTA has resulted in **skyrocketing prices for basic food items** despite the imported cheap grains. Prices for tortillas, which represent 75% of the daily calories for Mexico’s 50 million poor, **increased by 571%** during the first six years of NAFTA. By January 2007 they nearly tripled again. The collision of higher prices with low wages or outright job loss has resulted in a 15 year economic crisis for Mexico’s average working people and farmers. This crisis has been exacerbated by the world’s current financial predicament, resulting in further job loss, decreased remittances, and an **economic contraction of 8.5%** in the first trimester of 2009. The NAFTA trade and economic model in Mexico has proven to be a creator of immigration, not jobs.

**Renegotiation of NAFTA** offers a historic opportunity to redefine the trilateral economic relationship of the U.S., Canada, and Mexico to benefit all. A binding labor and environmental chapter and a revision of the agricultural chapter are extremely important. Chapters that restrict a government from actively protecting the economic, social, and political wellbeing of their people should be eliminated. Lastly, for any comprehensive U.S. immigration reform package to work, a renegotiation of NAFTA and the economic model it represents is essential to providing viable economic opportunities within Mexico that can stem immigration to the U.S.

## **INTRODUCTION**

Never in the 15 year history of the North American Free Trade Agreement (NAFTA) has this “free trade” model been so unpopular as it is now. According to U.S. national polls, 60% of the U.S. population believe that trade restrictions are necessary to protect domestic industry<sup>i</sup>. A poll conducted by Rasmussen in June 2008 revealed that 56% of the U.S. population wants a renegotiation of NAFTA; while only 16% said that it should be kept as is<sup>ii</sup>. Recent polls also show that 61% of Canadians want a renegotiation<sup>iii</sup>. Most people in the U.S. and Canada feel that NAFTA has given companies incentives to move where labor is cheaper, resulting in exported jobs and eroding working conditions<sup>iv</sup>.

In Mexico the implementation of NAFTA on January 1, 1994 was met with an indigenous uprising in the southern state of Chiapas. During its 15-year span, organized demonstrations and movements involving tens of thousands of people have demanded its renegotiation. The Permanent Commission of the Mexican Congress, as well as several State Governors, echo this wide-spread demand given the devastation NAFTA has caused in Mexico’s agricultural sector and the rural population. Industrial workers and farmers in all three countries are bearing the brunt of NAFTA’s negative impacts. This is especially true in Mexico, the weakest economy of the three.

Increasing social pressure, along with U.S. President Barack Obama’s campaign promise to renegotiate NAFTA opens up a new window of opportunity. Considering the devastating blow the trade agreement has dealt people in all three countries, it is imperative not to let this historic opportunity slip away. A fundamental premise of NAFTA --that a deregulated economy will self-correct--has been proven false by the global economic crisis. There is a unique opportunity to recreate the trilateral relationship of North America so that it sustains the economic well being of all its people. A renegotiated NAFTA could create conditions where U.S. and Canadian workers do not suffer diminishing wages and deteriorating working conditions, and where Mexicans have options for survival beyond migration to the United States.

## **15 YEARS OF NAFTA IN MEXICO**

### **Roots of NAFTA**

Many Mexican analysts agree that NAFTA legalized the free market economic model that had been in place since 1982. Mexico, suddenly in deep debt as a result of the oil crisis, radically adjusted its economy in 1982 to follow the recipe of the International Monetary Fund (IMF) in order to receive loans. The sociopolitical program known as “structural adjustment” included reducing public expenditures, the elimination of subsidies, privatizing state enterprises, and conforming to free trade policies by removing all barriers to trade and investment. These would become the fundamental pillars of NAFTA. These reforms not only created new laws, but rewrote the Mexican Constitution (with over 120 revisions) paving the way to the implementation of the trade agreement in 1994.

Before 1982 Mexico’s economy was based on the Import Substitution Industrialization (ISI) model. Tariffs and quotas protected the domestic manufacturing industry and agriculture. Farmers received subsidies, had access to credit, and were guaranteed a stable price for their products. Under the ISI model Mexico had the highest rates of economic growth in its history. From 1940 to 1981 GDP growth averaged 6.1 percent and was dubbed the “Mexican Miracle” internationally.<sup>v</sup> Since NAFTA was implemented the average GDP growth rate has been 2.7%<sup>vi</sup>.

The shift to the free market model in 1982 was a radical change that implied the dismantling of the socioeconomic and political pact that the Mexican government had with its people. While

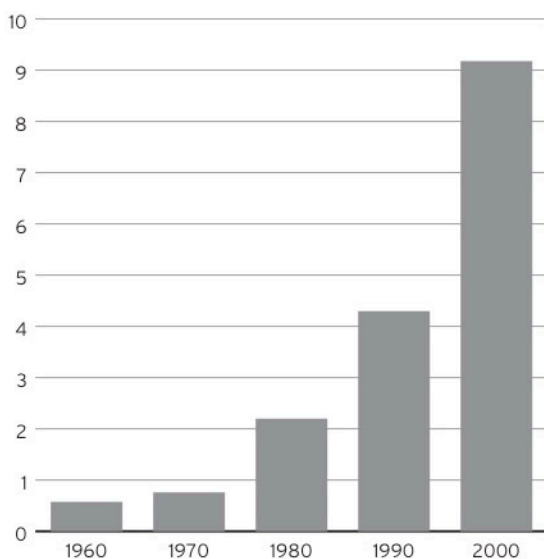
problems with social exclusion, poverty, immigration, and corruption also existed under the previous model, many Mexican farmers and workers relied on the social and economic protections for their livelihood and survival. Farmers, workers, and civil society predicted the devastating impact that NAFTA would inflict upon Mexico as protections were stripped away and Mexicans were put in direct competition with the most powerful economy in the world. Sadly, the sectors that foresaw the outcomes apparent now at NAFTA's fifteenth anniversary were excluded from the original negotiations.

When NAFTA was implemented in 1994 Mexicans were told that increased trade, increased foreign direct investment in Mexico, and a higher output of exports would raise incomes and the standard of living in Mexico. As then Mexican President Carlos Salinas said, "Mexico will become part of the first world." The promises included less migration, more and better jobs, and lower prices for goods. After 15 years, a straightforward assessment reveals that these promises have not become reality, and that the socio-economic situation has drastically declined. While trade and foreign direct investment have dramatically increased in Mexico during this period, only 10 % of the population has seen elevated incomes and a higher standard of living<sup>vii</sup>.

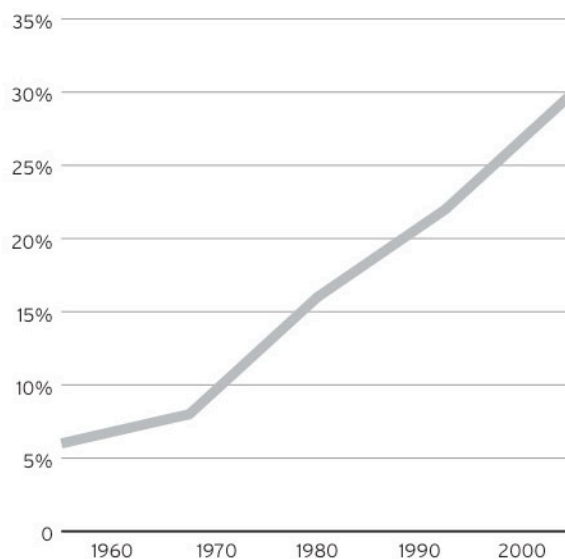
### Immigration

Although trade among the NAFTA countries has increased 213% resulting in \$2.4 billion in trilateral goods traded per day<sup>viii</sup>, the average number of Mexicans migrating to the U.S. has increased from an average of 235,000 in the 1980s to 577,000 per year now.<sup>ix</sup> These numbers have reached such high levels that the World Bank considers Mexico to be the number one exporter of migrants in the world<sup>x</sup>. Two thirds of the current population of undocumented Mexicans that live in the U.S. came after 1994.<sup>xi</sup>

**Figure 1.** Growth of the Mexican-Born Population in the United States  
MILLIONS



**Figure 2.** Percentage of Growth of the Mexican-Born Population in the United States

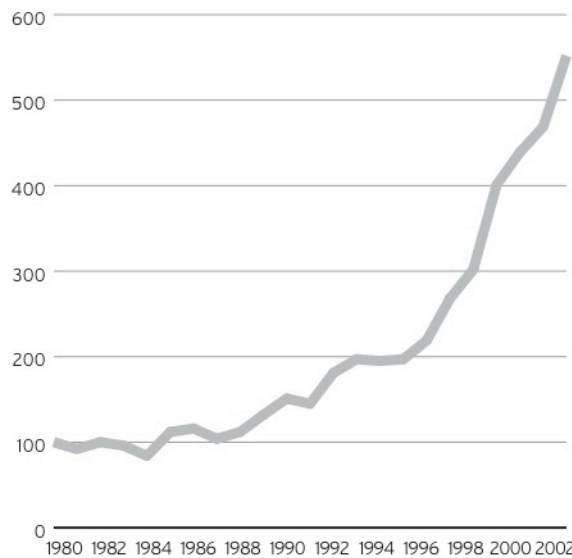


Source: Migration Policy Institute analysis of 2000 Census Bureau data and Campbell Gibson and Emily Lennon, *Historical Census Statistics on the Foreign-Born Population of the United States: 1850-1990* (Washington, D.C.: U.S. Census Bureau, 1999).

\*Graph taken from Carnegie Endowment for International Peace Report: NAFTA's Promise and Reality, pg. 49.

As the graphs indicate there has been a traditional flow of migration from Mexico to the U.S. that began well before NAFTA. However, during the free-market reforms in the 1980s there was a 70% increase in migration. After 1994, this jumped to a 146% increase.<sup>xii</sup> As seen below in the graphs depicting rural migration and remittances, this was not simply a spike resulting from the impacts of the 1994 peso crisis. The sustained and constant increase of Mexicans migrating to the U.S. to the historic levels that we see today is a consequence of a new economic and trade model.

**Figure 3. Migration from Rural Mexico to the United States, 1980–2002**  
HOUSEHOLD MEMBERS: 1980=100



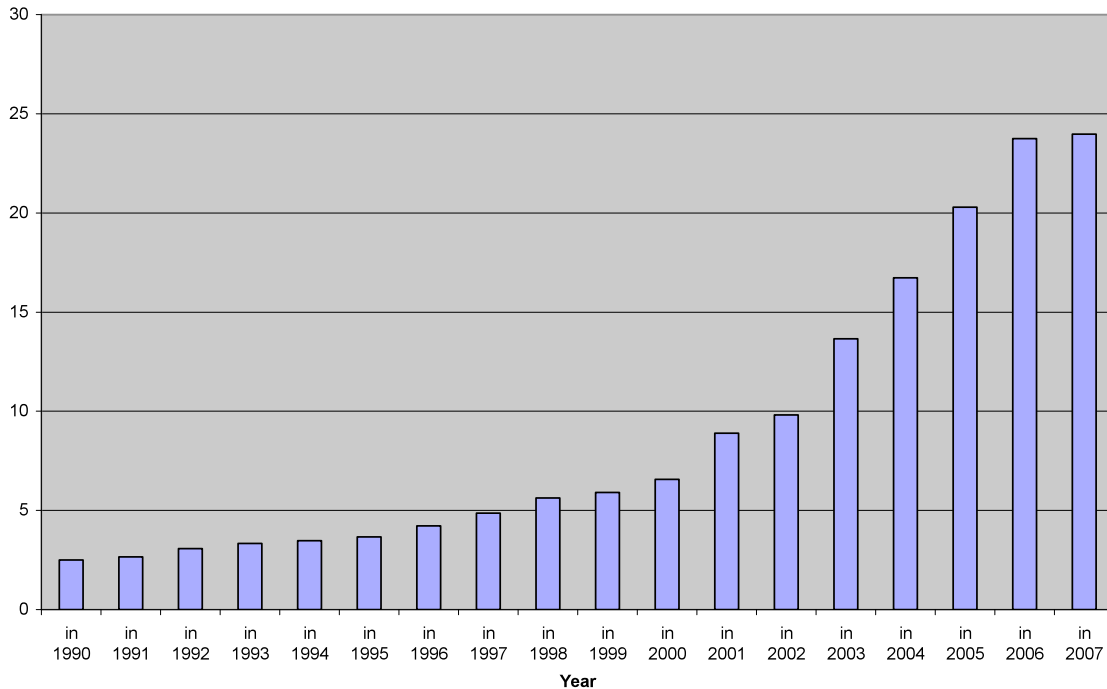
Source: Analysis of data from Mexico National Rural Household Survey of 2002, in J. Edward Taylor and George Dyer, NAFTA, Trade, and Migration.

\*Graph taken from Carnegie Endowment for International Peace Report: NAFTA's Promise and Reality, pg.51.

Along with increased migration, remittance figures have skyrocketed to the second highest source of income for the Mexican national economy, following petroleum. Remittances have gone from approximately \$3 billion in 1993 to consistently over \$20 billion for the last four years. Many Mexican families now depend on remittances to make ends meet.

Far from experiencing a reduction in migration, the Mexican economy is now dependent on migration and remittances. The vast majority of Mexicans migrating north say that if they had an opportunity to make a living in Mexico, they would not leave<sup>xiii</sup>.

Figure 4: Annual Remittances to Mexico 1990-2007



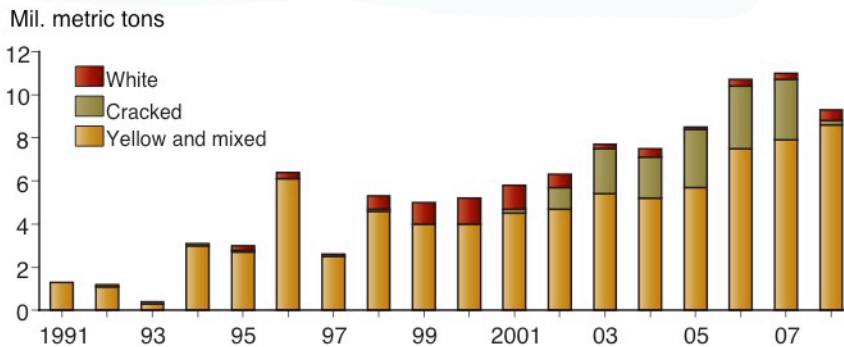
Source: Bank of Mexico. System of Economic Information (SIE) "Indicadores Economicos" [www.banxico.org.mx](http://www.banxico.org.mx).

## ROOTS OF MIGRATION: A LOOK AT JOBS

### Farming

Every hour Mexico imports \$1.5 million of food; in that same hour 30 farmers migrate to the U.S.<sup>xiv</sup> Under NAFTA, subsidized corn exported from the U.S. to Mexico more than quadrupled in the first ten years<sup>xv</sup>. This corn was at times sold at prices 30 percent below the cost of production in Mexico<sup>xvi</sup>. The U.S. subsidizes its agricultural industry with \$20 billion each year, towering over the \$3.5 billion in Mexico<sup>xvii</sup>. Like in the U.S. the bulk of these Mexican subsidies goes to well capitalized multinational corporations, not to small farmers.<sup>xviii</sup>

Figure 5: U.S. Corn Exports since 1991



Sources: USDA, Foreign Agricultural Service (2009) (total corn and cracked corn exports); USDA, Agricultural Marketing Service (1991-2005, 2006-08) (white corn exports).

\*Graph taken from USDA Report: NAFTA at 15, Building on Free Trade, pg. 17.

With NAFTA, not only were quotas and tariffs phased out for strategic agricultural products such as corn, but also the free market reforms that led to NAFTA did away with subsidies, guaranteed prices, and access to credit for Mexico's small and medium-sized farmers. In 1998 Mexico dismantled the National Company of Popular Subsistence (CONASUPO). Although critics correctly pointed out some fundamental faults in this agency, especially cases of corruption, it could have been reformed instead of abolished. CONASUPO was the only agency that provided subsidies and technical assistance to farmers. It played a role in regulating imports, and established guaranteed prices that protected small farmers from vast market fluctuations.<sup>xix</sup> It would only import corn when domestic supply did not meet demand. After the dismantling of CONASUPO there was nothing put in place to provide farmer's support for their livelihoods. Since 1994, both public and private credit for agriculture has plummeted.<sup>xx</sup>

Since 1994 the U.S. has become the overwhelming supplier of cheap grains throughout North America. Mexican farmers, without any economic protection, were put in blunt competition with multinational grain distributors such as Cargill and Archer Daniels Midland. These farmers have been priced out of the market. While Cargill's net income increased 660% from 1998 to 2007<sup>xxi</sup>, at least two million Mexican agricultural workers lost their jobs<sup>xxii</sup>. And millions of small farmers have been driven out of farming since NAFTA<sup>xxiii</sup>. Between 1995 and 1999 real prices for corn and wheat in Mexico declined by 45%, and Sorghum by 55%. Between 1990 and 1999, the price of beans fell by 40%.<sup>xxiv</sup> For Mexican farmers, NAFTA's promise of more and better jobs has been unfulfilled. Free market policies have only made their situations more difficult, and in many cases, impossible.

NAFTA has relegated Mexico's agricultural trade to a small selection of products deemed to be its "comparative advantage" – vegetables, fruit and, surprisingly, beer<sup>xxv</sup>. Although these products currently comprise 70% of U.S. agricultural imports from Mexico<sup>xxvi</sup>, in many cases they are produced by U.S. agribusiness companies within Mexico, primarily in the northern region<sup>xxvii</sup>. Mexico is the birth place of corn, and it was considered its most important crop before NAFTA with 60% of its cultivated land dedicated to its production<sup>xxviii</sup>. Now millions of small farmers whose families for generations have depended on basic grain production for their self-sustenance and livelihood, are working as undocumented migrants on large farms in the U.S.

**Benito Lopez Pacheco: Undocumented migrant from the Mixtec region of Oaxaca. Worked in California from 1999-2008**

"We need job opportunities in the marginalized communities of the countryside. The majority of those who migrate are from the country. Yet, for the government here, we are least important. We are put last. The government should give more agricultural help - like machinery or public works, like water retention systems or organic fertilizers. Supporting markets for the artisan crafts of each community would provide employment to help people not have to migrate."<sup>xxix</sup>

**Industry and Formal Employment**

During the NAFTA years, an average of 80,000 jobs have been created annually for 730,000 Mexicans who enter the labor market each year<sup>xxx</sup>. This by any measure is an employment crisis which leaves the majority of young Mexicans with few options.

Most of the jobs that are created come from the *maquiladora* industry – normally foreign owned assembly plants. Many of these industrial plants moved from the U.S. to Mexico in search of cheaper labor. During the peak growth period from 1994-2001, 1.3 million jobs were created in

this sector, not nearly enough to offset jobs lost in the agricultural sector, let alone those lost due to the decimation of Mexico's domestic manufacturing industry<sup>xxxii</sup>.

NAFTA eliminated lingering "rules of origin" laws that require foreign producers to use a percentage of local inputs in assembled products. Without this restraint, foreign companies who set up shop in Mexico began to import raw materials from their own subsidiaries often in other countries, instead of sourcing locally. Now, on average, only three percent of inputs come from Mexico's domestic industry disrupting the well-established chain of production that was present before NAFTA<sup>xxxiii</sup>. This was a devastating blow toppling Mexican national industry. In the auto industry, for example, companies like Ford, Chrysler, General Motors, and Volkswagen began to supply their Mexican assembly lines with parts imported from third countries and Mexican auto parts workers lost their jobs by the thousands<sup>xxxiv</sup>.

The jobs created in *maquiladoras* have not turned out to be sustainable jobs that keep people from migrating. A line worker in a plant makes an average of 7-9 dollars a day, not even remotely close to a living wage. Many workers complain of health and safety hazards, some which lead to chronic health problems<sup>xxxv</sup>. Women workers have systematically experienced sexual harassment and forced pregnancy tests<sup>xxxvi</sup>. The right to collective bargaining as put forth by the International Labor Organization is virtually non-existent, as foreign companies generally sign "contracts of convenience" with government unions while independent unions are systematically crushed<sup>xxxvii</sup>. Furthermore, the tax breaks given to *maquiladoras* to operate in Mexico result in little to no local tax revenue for investment in local infrastructure, namely roads, schools, and hospitals<sup>xxxviii</sup>.

Ultimately, these jobs also have proven to be very precarious. After reaching its peak point in 2001, an estimated 1/3 of the jobs created in the manufacturing sector in Mexico have been lost as a result of companies moving their production orders to Central America, Southeast Asia, and China where labor is cheaper<sup>xxxix</sup>. This data does not yet reflect the potentially devastating impacts of the current economic crisis.

Maquilas are normally concentrated in borderlands, in a barren landscape of pollution, where line-workers live in squatter communities in homes built with wood pallets and cardboard. For example, before the influx of maquilas Nogales, Sonora was a town of 30,000 people. Now with a concentration of close to 100 plants, it is city of 400,000 people with an infrastructure meant for 30,000.

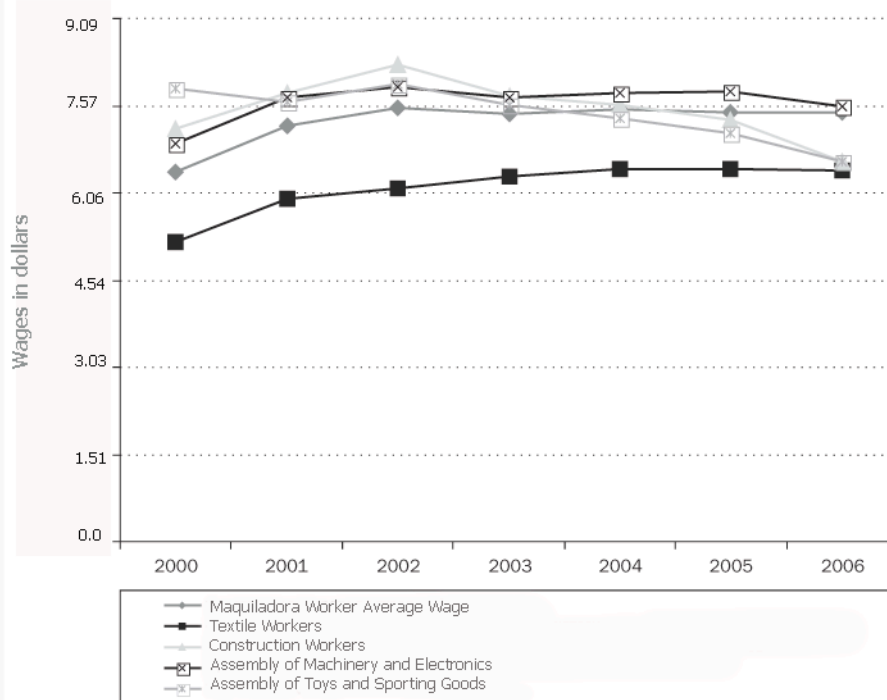
Those who have not found work in maquilas or migrated to the United States have joined the informal economy that employs 60% of the actively working population<sup>xl</sup>. Jobs in the informal economy, such as operating a taco stand or selling trinkets on buses, offer neither a steady wage nor benefits, and in many cases pay less than the paltry minimum wage in Mexico – under five dollars a day.

NAFTA's promise, even with the highly-touted maquila industry, of more and better jobs has not happened. Many former Mexican industrial workers are now undocumented migrants in the U.S. working in construction, meat-packing plants, or washing dishes where they can make more in one hour than in an entire day in a *maquila*.

**Labor Profile: Felicitas (Fela) Contreras, an activist with CETRAC (Center for Workers and Communities) in Nuevo Laredo who worked at a Sony plant from 1985 through 1998.**

“In 1994 NAFTA was signed, and they said that the rights of workers would not be violated. But they beat us up and violated our rights. ... For me NAFTA was no good. The workers are still just as poor. The only difference is that now there are many settlements, *colonias*, many squatters, a lot of insecurity and a contaminated river. Before I used to drink water from the river and now you can't, and you can't go into it either. Our air is contaminated. There is a lot of sickness. There is a lot of illiteracy. The only one NAFTA helped were the businessmen because they are the ones that have gotten rich. And now they say, “I am going to China; I screwed the Mexicans so now I'm going to screw the Chinese.” That is what stays with me about NAFTA. We are poor and screwed.”<sup>xi</sup>

Figure 7: Average Wage Per Day for Maquila Workers



Source: Mexican Department of Labor and Social Welfare (STPS), Feb. 2007. \*Graph taken from article Working in the Industry: Maquiladora for Export, by Huberto Juarez Nuñez, p. 19 from spanish language Trabajadores Magazine, published in March 2007 Issue.

**SQUEEZED ON BOTH SIDES**

**Consumer Prices**

NAFTA promised lower food prices for the Mexican public due to cheap subsidized grains imported from the U.S. Like most of its other promises, the exact opposite has occurred. As real prices for harvested corn declined, prices that consumers pay for their staple grains have skyrocketed. In the first six years of NAFTA, the price for corn tortillas nearly tripled, rising 571%<sup>xii</sup>. Tortillas are Mexico's most important food, representing 75% of the caloric intake for Mexico's 50 million poor<sup>xiii</sup>. By January 2007 tortilla prices tripled again<sup>xiiii</sup>, causing massive demonstrations throughout Mexico.

Although there may be many reasons for this, two important reasons emerge. In 1999 with free market reforms, subsidies for tortilla production were phased out; this type of guaranteed price support kept tortillas affordable for millions of Mexicans<sup>xiv</sup>. Secondly, Mexico, under the NAFTA model, has become a net-importer of basic grains. This puts Mexico's food security in the hands of multinational corporations and the whims of prices on the international market<sup>xv</sup>. For example, when ethanol production increased in 2007, the price for corn spiked, which meant fewer tortillas on the table for an already very hungry Mexico.

Not only tortilla prices have risen. As food prices have increased dramatically on the international market, the cost of the basic food basket in Mexico rose 60 percent in 2008 alone. With few viable replacements for tortillas, many people are buying less food, skipping meals, and even taking their children out of school to start working. Over 30 million Mexicans will be hit with hunger (in critical risk of malnutrition) because of these food prices rising.<sup>xvi</sup>

Families would now have to spend nearly 50 dollars a day to acquire basic products for their meals, personal hygiene, and home –10 times the minimum wage<sup>xvii</sup>. This nearly impossible feat further cements dependence of the nation's poor on remittances. This is another example of how minimum wage has not kept up with inflation and now has the purchasing power to buy just 16% of what it could two decades ago<sup>xviii</sup>.

**Figure 8: Price increase of 11 most consumed goods by poor, 2006-2007**

Final product	Raw good	% raw good in final products price	International price increase raw good 2006-2007	Price increase final product
Tortilla	Maize	0.70	25.86%	18.10%
Chicken with bone	Chicken	1.00	7.67%	7.67%
Soft drinks	Sugar	0.10	0.05%	0.00%
Milk	Powdered milk	0.80	85.72%	68.58%
Eggs	Eggs	1.00	65.70%	65.70%
Tomatoes	Tomatoes	1.00	-6.97%	-6.97%
Beans	Beans	1.00	21.59%	21.59%
Beef	Beef	1.00	18.63%	18.63%
Pastries	Wheat	0.50	52.27%	26.13%
Sugar	Sugar	1.00	0.50%	0.50%
Vegetable oil	Oil	0.80	35.03%	28.02%

The information on prices for maize, chicken, sugar, powdered milk, beef, wheat, and oil comes from OCDE-FAO (2008). The prices of eggs, tomatoes and beans come from USDA (2008a, 2008b).

\* Graph taken from MPRA Paper 10221, The effects of of rising food prices on poverty in Mexico, <http://mpr.ub.uni-muenchen.de/10221>.

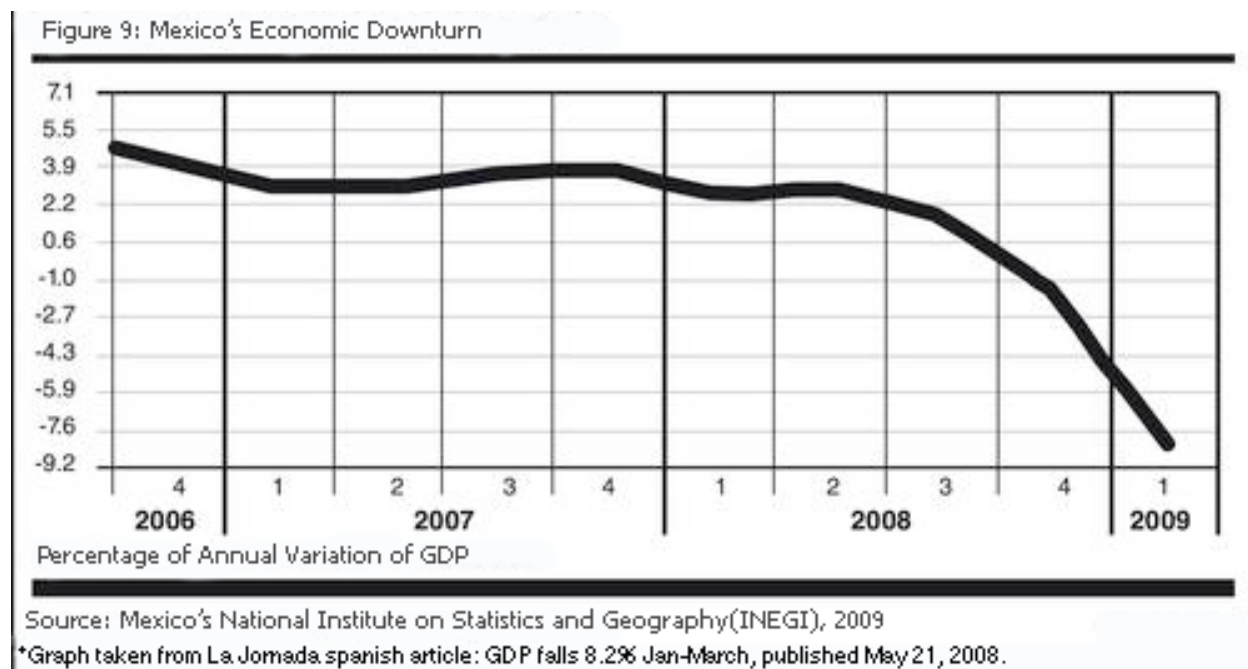
Rising price, colliding with precarious, low-paid employment and job loss leave many Mexicans with few options for survival. Many make the choice to migrate to the U.S. in order to provide for their families. NAFTA did not result in lower prices in Mexico. In fact the increased dependency on foreign (and particularly U.S.) imports of basic grains, has left the country's food security in the hands of companies who want to make a profit. Prices have only gone one way: up.

### The Economic Crisis

Every country around the world has felt the serious impacts of the current global economic crisis. However for Mexico, bound to the U.S. more than any other country under NAFTA, the impacts have been especially brutal. There is a common saying in Mexico: "When the U.S. sneezes

Mexico catches pneumonia.” Under NAFTA, 85% of Mexico’s exports currently go to the U.S., an economic dependence that Mexico has not experienced since the colonial period with Spain. Now people are asking what happens to Mexico if the U.S. economy has a serious case of pneumonia.

In the first trimester of 2009 Mexico’s economy contracted 8.2%, resulting in the loss of \$55 billion. This is the third strongest economic contraction Mexico has had in a century.



Any sort of downturn in U.S. consumption patterns has a devastating impact in Mexico. It is estimated that 541,400 jobs were lost in Mexico’s formal sector between the months of November 2008 and January 2009 alone<sup>xlix</sup>.

The crisis also threatens remittances which in 2008 declined for the first time in dozens of years. As a source of income for the poorest communities and families in Mexico, any downturn could have direct and devastating effects on thousands of people. From January to May 2009 remittances slid 11.2 percent in comparison to the same period in 2008<sup>l</sup>. Some of the biggest organizations in Mexico are advocating, “To get out of the crisis, we have to get out of NAFTA.”

### THE CUMULATIVE EFFECTS

Since 1994 only 10% of Mexicans have seen their household incomes increase; for the other 90% income has stagnated or declined<sup>li</sup>. The wealth created by increased trade has been absorbed by multinational corporations whose soaring profits have created a handful of billionaires like Mexican business magnate Carlos Slim who is one of the wealthiest men in the world. For the majority of Mexican people this increased trade has meant direct competition with some of the most powerful and wealthy multinational corporations. Small store owners compete with Wal-Mart and family farmers compete with Cargill. NAFTA has exacerbated the situation facing Mexico’s poor, now totaling more than 50 million. The result is a nation completely dependent on migration.

Faced with economic hardships, provisions in NAFTA both impede and restrict the Mexican government's ability to pursue a domestic economic policy to overcome these serious challenges.

### **Towards a Healthy and Democratic Bilateral Relationship**

Despite the unpopularity of NAFTA and its negative consequences for the majority in all three countries, the trade agreement is growing stronger. The Security and Prosperity Partnership (SPP) implemented in 2005 by the U.S., Mexico, and Canada is based on the premise of NAFTA's success. Instead of renegotiating NAFTA, it calls for deeper economic and security integration. The partnership, based on agreements made among only the executive branches of the three countries, does not have congressional oversight. Instead of creating a much healthier trilateral trade relationship, NAFTA is now moving forward without public scrutiny.

Despite this, President Obama has recognized NAFTA's "shortcomings" and promised in his campaign to open it up for renegotiation. In 2008, 28 newly-elected members of Congress campaigned on a fair-trade platform. They were not only critical of the current "free trade" model; they were actively pursuing a new and healthier trade model. Many won, at least partially, because of it.<sup>iii</sup> Last year Rep. Sherrod Brown (D-Ohio) drafted the TRADE Act (H.R. 3012) The bill was re-introduced for the 2009 Congressional session on June 24 by Rep. Mike Michaud (D-Maine) with 106 original cosponsors The TRADE Act establishes new criteria for all existing and future trade agreements based on the well-being of the general population. It would put all existing trade agreements, including NAFTA, under review with new environmental and labor standards, agriculture rules, and food and product safety to name a few examples. It would also replace the existing Fast Track mechanism to approve trade agreements, replacing it with a new mechanism which would involve much more congressional participation in the formation of the agreements. This would promote future deals that would enjoy broad support from the U.S. public.

The populations in all three countries are clamoring for NAFTA's renegotiation, and this historic opportunity cannot be lost. The long-term benefits for all three economies could be monumental. A healthier, more transparent, and democratic trade relationship between the U.S. and Mexico would improve Mexico's economy and address the root causes of migration. Fifteen years is enough time to recognize that NAFTA is not working for average people – workers and farmers – in all three countries.

### **U.S. Policy Recommendations**

- **Renegotiate NAFTA under the guidelines of the TRADE Act. (H.R. 3012)**
- **Maintain the oversight role of U.S. democratic institutions, including the U.S. Congress in NAFTA and all trade agreement negotiations.**
- **Engage a full spectrum of U.S., Mexican and Canadian citizen participation in the renegotiation of NAFTA.**
- **Provide all trading partners with the right to democratically determine their own agriculture and food policies.** This includes the ability to impose tariffs to protect basic foods, which only the U.S. can currently do, and the elimination of export subsidies, cartels, and other anti-competitive practices. This would also include repealing provisions that interfere with the government's right to provide adequate and stable market returns for farmers in each country.
- **Include trade policies, regulations, and mechanisms in NAFTA that allow all trade partners to promote and protect urban workers, domestic manufacturers, and**

**farmers.** Rules of Origin should require a defined percentage of national content in all manufactured goods to promote growth and job development. Governments should have the right to use procurement to promote national development and job creation by giving preference to domestic suppliers. International Labor Organization core labor rights, as well as acceptable conditions of work related to wages, hours, and occupational safety and health, must be fully respected and enforced in each country.

- **Prioritize provisions in NAFTA for long-term ecological sustainability.** Establish import and export restrictions to prevent the overuse of natural resources and protect sovereignty over natural resources. Regulate foreign investment in natural resources, especially water, allowing states to prohibit the export of fresh water and the privatization of water administration. Explicitly require compliance with Multilateral Environmental Agreements signed by each country, such as the Kyoto Protocol.
- **Protect the sovereignty of trading partners to determine delivery of essential public services, such as water, health care, and education.** Renegotiate NAFTA Chapter 10 on Government Procurement, Chapter 12 on Services, and Chapter 15 on Competition Policy to lift restrictions that prevent governments from fulfilling their responsibilities to guarantee full economic, social, and political rights of their peoples.
- **Remove Chapter 11 from NAFTA.** These provisions allow international investors to sue host governments in unelected international tribunals over actual or potential loss of corporate profits resulting from democratically enacted domestic policies and regulations.
- **Provide migrant workers, regardless of their immigration status, the same workers rights and conditions as those enjoyed by citizens of the receiving country.**

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<sup>i</sup> Polling Report.com, CBS News/New York Times Poll. April 1-5, 2009.

<sup>ii</sup> Rasmussen Reports, "56% Want NAFTA Renegotiated, Americans Divided on Free Trade", Jun 20, 2008.

<sup>iii</sup> Council of Canadians, "Growing Majority of Canadians Agree with Obama: Renegotiate NAFTA", Sep 26, 2008.

<sup>iv</sup> Public Citizen. "Poll Roundup: Americans Want to Renegotiate NAFTA", Jun 20, 2008.

<sup>v</sup> Santaella, Julio, IADB, "Economic Growth in Mexico, Searching for Clues to Its Slowdown", Dec 1998.

<sup>vi</sup> Teslik, Lee Hudson, "NAFTA's Economic Impact," Council on Foreign Relations, Jul 7, 2009.

<sup>vii</sup> Vigna, Ann, "NAFTA Hurts Mexico" Agence Global, June 1, 2008.

<sup>viii</sup> U.S. Embassy in Mexico, "U.S. Mexico At a Glance NAFTA".

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