



A HEMISPHERE FOR SALE:

The Epidemic of Unfair Trade in the Americas



Table of Contents



- 2** The Rules of the Global Economy: Neoliberalism
- 4** An Agreement Among Un-equals: The Why and How of NAFTA
- 6** A Private Party: Success for a Few
- 14** The Free Trade Area of the Americas: A Hemisphere for Sale
- 15** The FTAA and Mexico: More of the Same?
- 16** Guatemala and the FTAA: A Nation On the Auction Block
- 19** Civil Society: "Not this FTAA"
- 21** Fast Track: A Mechanism for Exclusion
- 22** Financial data charts
- 23** Get Involved: Action Steps
- 24** Endnotes

Witness for Peace, 2001

Ten years ago, Javier Pérez could provide for his family. He grew enough corn and beans on his small plot of land in southern Mexico to feed his wife and five children, and sold his extra harvest for money to buy shoes, schoolbooks and other necessities. Over the years, Javier earned enough to send his five children to primary school and fix up his modest, dirt-floor house.

About five years ago, Javier lost his market for corn and beans. Upon Mexico's entry into the North American Free Trade Agreement (NAFTA) with Canada and the United States in 1994, imported U.S. corn and other basic foods flooded the Mexican market, leaving Javier with nowhere to sell his crops. At the same time, cuts in government support to small farmers raised his cost of production.

In recent years, Javier has planted papaya, cantaloupe, tomatoes and watermelon in turn. But without resources, technology, or a secure market, he ended up with a barn full of rotting fruit and a growing debt with the bank. Like the majority of Mexicans, Javier is now poorer than his parents ever were. In order to keep the family afloat financially, his eldest son has already left for the United States, where he found work as a migrant farm worker and sends money home periodically. Another son and daughter are considering emigrating.

The results of a trade agreement between a developing country and the world's largest economy are as anyone would predict. Seven years after NAFTA's implementation, U.S. corporate profits are skyrocketing. In fact, the economic elite on both sides of the border reap huge benefits, while the majority of Mexicans watch their buying power drop and wages stagnate.

Once trumpeted as Mexico's gateway into the developed world, NAFTA has done little to bring true development to Mexico. Many Mexicans, like Javier — who were not consulted or involved in its planning — have been harmed by the agreement. NAFTA has not fulfilled its promise of decreasing poverty: since 1994, poverty in Mexico has increased from 66 percent to 70 percent.¹ Nearly half of Mexicans now earn less than three dollars a day.² The wealth generated by NAFTA has concentrated dramatically in a few hands; Mexico has more billionaires than any other developing nation, while most workers earn less than one percent more than they did 18 years ago.³

In this publication, we highlight the injustices inherent in NAFTA. We discuss its disastrous impacts on Mexico's poor majority and its failure to fulfill the promises made to Mexico during its negotiation. We analyze the dominant neoliberal development model promoted by the United States for developing countries, in which trade agreements play a significant role. Based upon the impact of NAFTA in Mexico, we then analyze the potential effects of the proposed Free Trade Area of the Americas (FTAA) — a hemispheric free trade agreement — on other developing countries such as Guatemala. Finally, we promote a new development model and more balanced trade agreements that give people like Javier — who pay the price of deals like NAFTA — a place in the global economy.

Mexican staple crops like corn, beans and coffee — have suffered a steep decline in prices on both the national and the international markets.



"As an agricultural worker on a [large corporate farm] here, I can earn \$5 a day, but when I went to the United States and worked at a plant nursery I made \$72 a day. How could I stay here?"

ROBERTO, SINALOA, MEXICO

THE RULES OF THE GLOBAL ECONOMY: *Neoliberalism*

Mexico's economic reforms, which were mandated by the United States and the International Monetary Fund (IMF) in the early 1980s and locked in place through NAFTA, stem from an economic world view known as neoliberalism.

According to neoliberal theory, a free market – that is, with minimal government intervention – will bring economic well-being to most people. Wealth accumulated by corporations and the very rich will “trickle down” to the rest of the population. All obstacles to the free flow of goods should be eliminated, so the private sector can take over

as the engine of economic growth.

Neoliberal theory claims that each country should compete in the global economy using its “comparative advantage,” or that which it can most easily provide for the global market. Assuming every country can compete equally, each would be able to meet all its needs by exporting what it produces best and importing products that can be made more cheaply and easily elsewhere.

In a truly neoliberal economy, a country should remove all barriers to the free flow of goods (including government price supports, import and export taxes, and import product regulations) so that the market can guide the economy. Public services, like electricity and water, should be sold to the private sector. In theory, free competition in the private sector will weed out inefficient businesses and industries.

In practice, neoliberal policies play out differently. In countries that implement these reforms, wealth tends to concentrate in few hands rather than trickle down. This is a worldwide trend: according to the World Bank, in 1993 the richest one percent of the world's people owned the equivalent of the combined wealth of the poorest 57 percent.⁴ In the United States – the world's richest country and chief promoter of neoliberal economics – median income for families is below what it was in the 1970s, people work more hours than any other industrialized country and there have been severe cutbacks in social services.⁵ All this despite the fact the economy has grown and corporations' profits are skyrocketing.

Privatization of public services generally brings layoffs of government workers, as private companies streamline their businesses. Prices for basic services increase under private ownership, often putting them out of reach for the poor. Mexico was home to over 1,000 government-run businesses in 1982; there are now just over 100.⁶ In the process, tens of thousands of Mexicans were fired and prices for basic services like telephone, electricity and gas have risen substantially.

Because of economic inequalities among countries, free trade and competition tend to favor powerful economies and corporations. The primary comparative advantages for developed countries such as the United



Farmers, like Fernando from Sinaloa in Chiapas, Mexico, can't compete with US agribusiness.

States are technology and a skilled work force. On the other hand, a poor country like Mexico or Guatemala can offer cheap labor, natural resources and agricultural goods to the global market. While the United States' offerings remain relatively constant and in demand, ensuring good prices, developing countries' comparative advantages are less stable. Natural resources and agricultural goods are highly vulnerable to competition, price shifts and environmental conditions such as weather. Cheap labor, by its very definition, implies keeping wages down and maintaining a docile, non-unionized workforce. The fact that most poor countries share the same basic comparative advantages puts them in competition with one another for foreign investment and markets for their exports.

To make matters worse, the United States does not follow the rules it promotes abroad. While poor countries are pushed to open their economies to free competition, the United States continues to protect key sectors of its economy with government intervention. For example, the United States heavily subsidizes its agricultural sector, even paying corporate farms to halt production when demand is low. This double standard leads to the artificial inflation of prices for agricultural products, and the "dumping" of U.S. products in foreign markets at lower prices, undermining local industries.

FREE TRADE AGREEMENTS: LOCKING ECONOMIC RELATIONSHIPS IN PLACE

As global trade increases, more countries are signing free trade agreements with neighboring countries to form regional and sub-regional trade blocks. In these agreements, member countries agree to certain terms of trade and grant trade preferences to each other. In theory, a free trade agreement facilitates trade between participating countries by gradually removing the taxes and tariffs on traded goods.

Agreements vary depending on the countries involved; the trade agreement among European Union countries is notably differ-

ent from NAFTA, for example. The European Union agreement includes measures to protect the environment and human rights, and even provides subsidies to less-developed member nations, such as Spain, to help their economies catch up with wealthier members. NAFTA does not provide such compensatory funds, and instead assumes all three nations can compete equally.

The primary goal of many free trade agreements, and of NAFTA in particular, is to guarantee security for foreign investment. Because they are often negotiated for long-term periods, free trade agreements ensure that trade policies remain constant regardless of changes in the political climate or other domestic affairs. In this way, they supercede local governments. Any new government would need to go back to the negotiating table to change these policies.

"NAFTA was conceived mainly as a way to ensure that Mexico would benefit from globalization. We saw globalization as inevitable, that markets would be opened, and we believed that forging regional alliances could help us go in the direction of such a global trend."

CARLOS SALINAS, FORMER PRESIDENT OF MEXICO, 1988'



AN AGREEMENT AMONG UN-EQUALS: *The Why and How of NAFTA*

From the beginning, no one at the NAFTA negotiating table truly believed Mexico had real bargaining power. The United States and Canada, two of the world's largest economies, had already signed a free trade agreement in 1988. Mexico, with a Gross Domestic Product (GDP) of less than four percent of the United States', had little leverage.⁸



Mexico's indigenous population has been particularly affected by NAFTA's negative impacts on the economy and the environment.

Since 1982, Mexico had implemented a series of strict economic reforms - mandated by the IMF with pressure from the United States - in order to pay off a paralyzing foreign debt that had devastated its economy. Mexico's presidents willingly followed instructions to cut social spending, privatize state-owned businesses and raise taxes. They worked with Congress to shift the economy's focus to exports, leaving domestic industries and small businesses largely without government support. As the largest contributor to both the IMF and World Bank, the United States exerted a great deal of pressure on Mexico's economy by influencing its access to loans from these institutions, as well as loans from the U.S. government and U.S. private banks.

When NAFTA negotiations began in March 1990, Mexico was in political and economic crisis. President Carlos Salinas had worked his way into office through questionable elections and U.S. investors were wary of doing business in Mexico because of its shaky political climate. Under Salinas, Mexico's foreign debt climbed to a staggering \$100 billion⁹, and U.S. banks were reluctant to lend more money.

Salinas knew that by signing NAFTA, Mexico could attract increased foreign investment as one solution to its financial troubles. For the United States, NAFTA ensured that trade policy would remain constant regardless of the political situation, providing U.S. investors with new markets, and the chance to exploit cheap, government-controlled labor and weak environmental regulations south of the border. In 1994, when NAFTA officially took effect, Mexican labor was six times cheaper than labor in the United States.¹⁰

The effects of such an unequal agreement are predictable. Both the U.S. Office of Technology Assessment, one of Congress' research bureaus, and the U.S. labor movement predicted that NAFTA could have serious detrimental effects on certain sectors of all three countries, but their suggestions received little media coverage. There was no consultation or involvement of broad civil society in any of the three countries. Instead, NAFTA was essentially negotiated by trade ministers and presidents behind closed doors, with only select information provided even to legislators of the member countries.¹¹ Even so, U.S. corporations were able to exert influence over the negotiations, winning additional privileges that would draw heavy profits after NAFTA took effect.¹² The agreement went into effect on January 1, 1994, consolidating a market of 387 million people.

NAFTA IN THE U.S. – MORE BROKEN PROMISES

Contrary to its promises – more jobs and lower prices for consumers - NAFTA has not benefited most U.S. citizens. In the first five years of NAFTA:

- U.S. citizens lost at least 200,000 jobs. Seventy percent of these jobs were in manufacturing, where wages are generally above average.
- Half of union organizing efforts in the U.S. were disrupted by companies' threats to transfer production abroad. When organizing drives did succeed, plants closed at triple the pre-NAFTA rate.
- U.S. manufacturing wages stagnated.
- The number of small U.S. farms declined by nine percent.
- The percentage of U.S. farm households living at or near the federal poverty line climbed to 93 percent.
- Food prices increased: despite a 62 percent decline in U.S. hog prices, consumers paid more for pork in 1998 than before NAFTA. The price of tomatoes rose 16 percent.

Source: Public Citizen's Global Trade Watch. "School of Real Life Results Report Card." Dec. 1998.

"The Third World worker is assigned a very clear role: he must be well-trained, dependable and docile. By trained, I mean he knows how to do only one small part of what a company needs. They're not going to make him an electrician, for example. He'll learn to put one computer chip in, and not put it in backwards. And he'll do it quickly... The small business person is assigned the same role as the worker: cheap, dependable and submissive."

RUBEN BARRIOS,
OWNER OF A SMALL BUSINESS

Entry into a free trade agreement with the United States and Canada required intense preparation for Mexico. To quell U.S. investors' fears of political upheaval (and thus, possible confiscation of foreign property), the authors of NAFTA included an extensive section on expropriation and confiscation. Mexico was also pressured by the World Bank and the United States to re-write Article 27 of its Constitution - a pillar of the new government that grew out of the 1910 Mexican Revolution – effectively doing away with the *ejido* system of collective land ownership. This opened up traditional Mexican territory for sale to foreign investors eager to buy up land. The *ejido* system had been a cornerstone of indigenous and peasant rights in the Mexican agricultural system. Eliminating *ejido* protections and privatizing traditional landholdings left the most marginalized populations even more vulnerable.

NAFTA also included a gradual, incremental reduction of import tariffs in member countries, which mostly benefits U.S. corporations by giving them more access to the Mexican market. All these concessions were made in exchange for promises of U.S. investment, which Mexico hoped would bring jobs and cash into its wounded economy.



NAFTA's betrayal of the peasant population has bred widespread nonviolent protest, like this 1999 protest by the Christian pacifist group "The Bees" (Las Abejas)

A PRIVATE PARTY: *Success for a Few*

As expected, those most involved in NAFTA's negotiation – the economic elite of all three countries – enjoy most of the benefits. It appears that U.S. corporations have gained the most from NAFTA. The agreement has opened Mexico's market to U.S. products, especially food staples, and thousands of U.S. companies have moved their manufacturing operations south to take advantage of cheap labor on the Mexican side of the border.

Through NAFTA, the United States government locked its trade relations with Mexico into place and made the Mexican economy less independent. However even in the United States, the benefits of neoliberal reforms like NAFTA have concentrated wealth in the hands of a few, instead of benefiting the majority as promised.

Small-scale farmers and working-class have been especially affected. (see side bar on previous page).

Mexico has seen certain macroeconomic benefits from NAFTA, particularly in increased exports and foreign investment:

- Between 1993 and 1999, total trade between Mexico and the other NAFTA countries multiplied by two and a half times, rising from \$92 billion to \$232 billion.¹³
- Mexican exports to the United States climbed from \$51.6 billion in 1994 to \$120 billion in 1999.¹⁴
- Direct foreign investment in Mexico rose from \$9.5 billion in 1995 to \$11.6 billion

in 1999, with nearly \$1 of every \$2 in foreign investment coming from the United States.¹⁵

Neoliberal economic theory holds that macroeconomic benefits – increased exports, a balanced trade deficit, more foreign investment – should trickle down to a majority of the population. This has not been the reality in Mexico. The benefits of NAFTA have concentrated in the top tiers of the Mexican economy. Mexico – following the neoliberal recipe for development – has shifted its focus to an export-oriented economy, effectively subsidizing a handful of export companies through tax breaks at the expense of local industry. Although Mexico's overall exports have grown since the beginning of neoliberal reforms, 80 percent come from only 300 companies, even though there are over 40,000 export companies.¹⁶

Over half of Mexico's total exports come from the *maquila* sector. While *maquilas* provide Mexicans with some jobs, they are disconnected from the rest of the economy. In order to attract foreign investment, the Mexican government offers generous incentives: *maquila* owners pay virtually no import or export taxes, little to no income taxes, and receive generous subsidies on water and electricity from the Mexican government. The raw materials assembled in *maquilas* are generally imported rather than bought from the Mexican market. Other than the wages paid to workers, *maquilas* invest virtually nothing in the Mexican economy.

Mexican exports have also become less diversified, increasing the economy's vulnerability if one sector suffers a decline in production. A lack of diversity means that if the *maquila* sector sees a decline, the ripple effect could affect production in agriculture, mining, or other production areas. This also



Sinaloa, Chiapas, Mexico, 2001.

means Mexico needs to import more products and increase its dependence on other economies. Since NAFTA began, manufactured exports have concentrated in two branches: 68 percent in machinery and equipment and 8.6 percent in chemicals.¹⁷ Excluding the *maquila* sector, only 17 types of products make up 60 percent of total exports.¹⁸

And, through NAFTA, Mexico has become increasingly dependent on the United States economy. Eighty percent of Mexico's total \$281 billion in trade from January to October 2000 was with the United States, up from 75 percent in 1993.¹⁹ Mexico now depends on the U.S. economy for 73 percent of its imports.²⁰ Many of these are food imports; in the years since NAFTA Mexico has become the third largest importer of grains from the U.S. market.²¹

The shift to an export-oriented economy and a growing dependency on the U.S. market (80 percent of Mexican exports go to the United States²²) means that Mexico's economic health depends on the growth of the U.S. economy. A recession or even a deceleration of U.S. economic growth triggers disaster in Mexico. Already, Mexican economists are predicting only 3.5 percent economic growth in 2001, rather than the 4.5 percent expected, because of a slowing down of the U.S. economy. Thousands of jobs have already been lost as large corporations lay off workers. As one Mexican senator put it, "When our northern neighbor sneezes, we get pneumonia."

NO PLACE AT THE TABLE

The signing of NAFTA created the expectation that Mexico was moving into the realm of developed nations by landing a trade agreement with the world's largest economy. Not everyone believed this rhetoric: the day NAFTA took effect, Mexico saw resistance in the form of an indigenous uprising in the southern state of Chiapas. The rebel force, the Zapatista National Liberation Army (EZLN), protested the agreement, claiming that the terms were unfair, and that its provisions - including



changes in the Constitution abolishing the traditional communal land protections - would hurt the country's poor, especially the indigenous population. A few months later, the Mexican economy plummeted when the peso crashed, clearly demonstrating that Mexico had a long way to go to catch up with its northern trade partners.

The majority of Mexicans - excluded from NAFTA's negotiations - are also excluded from its benefits. Rather than raise their standard of living, NAFTA and its corresponding neoliberal reforms plunged most Mexicans even deeper into poverty. From 1994 to 2000, poverty in Mexico grew from 66 to 70 percent.²³ The average Mexican has seen a 40 percent drop in purchasing power since 1994.²⁴

For families like Javier Pérez's in southeast Mexico - the country's poorest region - the situation is even more desperate. There, one of every three children is malnourished. Because of inadequate nutrition in this region, 18 percent of children under five are underdeveloped for their age and 25 percent have learning problems.²⁵ Each year, prices for Javier's crops drop, while the cost for his family's food, clothing and other basic necessities has nearly quadrupled since 1994, rising from \$64 a week in 1994 to over \$200 a week in 2000.²⁶ "When harvest time comes,

"What you earn in good times you eat in bad times. That's how we live here. But my kids are growing up, and what can I give them?"

JULIO REYES, CORN FARMER

the money we get goes to pay our debts,” he says. “Some people have money left for soap, or clothes, but after that it’s all spent.”

Through NAFTA and its preceding neoliberal reforms, the Mexican government has drastically cut federal spending on the rural sector, aiming to draw more workers to urban jobs in the industrial sector. Although planned urbanization has not been a stated goal of either the neoliberal institutions like the IMF or World Bank nor the Mexican government, it is an implicit part of their economic agendas. By promoting cheap



Falling commodity prices hit the small producer — Mexico’s rural poor — the hardest.

labor in urban factories and corporate-controlled rural activities like mining, and de-emphasizing small landholder farming, urbanization is a natural byproduct of this economic model.

But the industrial jobs opened up by NAFTA-driven investment are not enough to absorb this population: there are less than a million *maquila* jobs in Mexico, for a working-age population of 40 million.²⁷ Approximately one million Mexicans enter the workforce each year. In addition, Mexico’s cities are not prepared to provide services like water, sewage treatment facilities, housing or transportation to accommodate this urban expansion.

Agriculture

Most Mexican farmers, like Javier, are subsistence farmers who grow enough food for their own families and sell the rest in the local market. In the past, Javier received government subsidies and sold his harvest to the government at a guaranteed price. With the signing of NAFTA, Javier was forced to compete with large U.S. agribusiness and, predictably, he lost.

During the NAFTA negotiations, Mexico agreed to eliminate all agricultural subsidies by 2005²⁸. Between 1994 and 2000, federal spending on the rural sector fell 60 percent, severely limiting peasant farmers’ ability to produce competitively.²⁹ For farmers like Javier, credit to buy seeds, fertilizer and other necessities is often out of reach; private banks charge up to 45 percent interest to small producers, who are “risky” investments.

Under NAFTA, tariffs for imported corn, rice and wheat will be eliminated by 2003. Quotas have been established for these imports, limiting the amount of U.S. grains that can enter tariff-free. However, in 1998 alone Mexico allowed the United States to import nearly double the quota of corn to Mexico, without paying the required tariffs.³⁰

A glaring double standard in U.S. policy toward Mexico allows for unfair competition in the Mexican market. While the Mexican government agreed to phase out agricultural subsidies, the United States continues to subsidize its large agribusiness. These generous subsidies (more than \$9 billion a year in direct payments)³¹ prioritize larger agribusiness rather than small-scale producers; 80 percent of U.S. farm subsidies go to only 20 percent of farms.³²

Subsidized production for large-scale farmers in the United States and lower tariffs in Mexico allow U.S. crops to flood the Mexican market at lower prices and undermine Mexican producers. In the years since NAFTA, total agricultural production in Mexico has fallen by half.³³ Mexico is more dependent on the U.S. market for food products than ever: thirty percent of milk³⁴ and 80 percent of meat is now imported

from the United States.³⁵

Many Mexican farmers, unable to compete with U.S. products, have migrated to cities or the United States to find work. “Each day more people abandon the land,” Javier says. “It’s not that people don’t want to work the land, it’s that it’s not worth it. The corn prices are too low.”

Environment

Mexico’s drive to attract jobs and foreign currency means that infrastructure that encourages investment – highways, power lines, and water systems that service *maquilas* – is prioritized over infrastructure that benefits the local population, such as waste disposal facilities. The boom in the *maquila* industry, facilitated by NAFTA, brought thousands of factories to the border region, with little or no environmental planning. Thousands of workers flocked to border towns, where clean water and sewage facilities are lacking. There are now 2,700 *maquilas* in Mexico, the majority of them U.S.-owned, employing 900,000 workers.³⁶

Mexico is reluctant to risk losing investment by enforcing its own environmental regulations. This, coupled with the “profits first” mentality of many investors, means that industrial waste from *maquilas* is dumped on roadsides, desert lots, or even on the factory site, with tragic consequences for both sides of the border. The Mexican government has not released information on just how much industrial waste is disposed of improperly. In one study, activists in the border town of Nuevo Laredo counted 11 sites where industrial waste or raw sewage continues to be pumped directly into the Rio Grande river, even though the city constructed a water treatment plant in 1996.³⁷

The full effect of such practices is still unknown, though some medical evidence suggests these toxins have entered the food chain. On the U.S. side of the border, in Cameron County, Texas, the neural tube defect rate for babies climbed to 19 in 10,000, nearly twice the national average, in the first five years after NAFTA.³⁸ Cameron County also saw a 400 percent increase in

PUTTING CORPORATE OVER LOCAL INTERESTS: THE METALCLAD CASE

The case of California-based Metalclad Corporation highlights the profits-first spirit of NAFTA regulations. In 1997, Metalclad, a waste-disposal company, took over a waste-disposal plant in San Luis Potosí, Mexico. After an environmental impact assessment revealed that the site lay atop an ecologically sensitive area, the Mexican government declared the area part of a special protected ecological zone, preventing Metalclad from re-opening the facility. The local community also strongly opposed re-opening the site.

Under NAFTA’s Chapter 11 on investment, Metalclad sued the Mexican government for \$90 million, citing confiscation of the potential profits the corporation would have earned had it been allowed to open the facility. In 1999, the tribunal ruled in favor of Metalclad. The Mexican government has appealed the decision, insisting that reopening the facility would cause serious environmental damage.

The danger in such cases is clear. Without NAFTA’s strong regulations on expropriation, Metalclad would have had to assume the losses of a bad investment, and would have learned a lesson about executing proper environmental studies before committing to an investment. Instead, the price of Metalclad’s bad judgment will be paid by Mexican taxpayers and the local community.

cases of Hepatitis A, due to contamination of the Rio Grande.³⁹

NAFTA includes a side agreement on the environment, mandating a commission to study the linkages of trade and the environment and to handle complaints of environmental regulation violations. Instead, the side agreement has been used by U.S. corporations to sue the Mexican and Canadian governments for limiting the amount they can pollute. In three of the seven cases brought from 1993 to 1998, U.S. corporations sued the Mexican government for the right to open more hazardous waste dumps (see side bar).⁴⁰

Small and Medium-sized Businesses

Ruben Barrios owns a small-scale automotive parts manufacturing business in Mexico City. Initially, his company manufactured and sold parts to local car parts dealers. With NAFTA, foreign competition has driven nearly all his buyers out of business, leaving Barrios with sales only 27 percent of what they were in 1982.

Since the beginning of neoliberal

“These policies drive us out of our jobs into the informal sector. We’re going to be a nation of tortilla vendors.”

DANIEL LÓPEZ,
FRENTE AUTÉNTICO DE TRABAJO

Farmers outside the now closed government agency CONASUPO.



“The prices for what we grow are so low. If we don’t get a good price, it’s harder to afford oil or sugar ... We have to look for a way to [renegotiate NAFTA and other] free trade agreements. This one, you can throw it in the garbage and give us better prices for our corn.”

ROSARIO, PEASANT FARMER AND MOTHER OF FOUR

economic reforms in 1982, later deepened by NAFTA, half of Mexico’s small- and medium-sized businesses like Barrios’ have closed; now only about 3,000 remain.⁴¹ In preparation for economic integration, Mexico eliminated laws protecting small businesses. These laws required companies to buy local products when price and quality were comparable and prohibited the sale of the same product for different prices.

Through NAFTA, prices for raw materials such as natural gas and mining products were fixed at the same level for all three countries. This progressively raised the prices for raw materials in Mexico, where these materials were previously subsidized.

Prices for the graphite and barium oxide Barrios uses in his factory have risen substantially. In addition, Barrios pays income taxes to the government, while foreign companies receive generous tax cuts or exemptions. Hence foreign products are much cheaper on the Mexican market than those Barrios produces.

Given the neoliberal, export-based development model, the Mexican government in effect subsidizes foreign export companies and leaves local small businesses unprotected. The majority of small businesses do not have access to the financial, technological or distribution resources they would need to produce for export.

UNEMPLOYMENT AND THE INFORMAL SECTOR

Official unemployment in Mexico has dropped to 2.5 percent since NAFTA, although this number is deceiving. The Mexican government defines any person who has worked one hour or more in the past week as employed. In a country without welfare or unemployment benefits, fired workers quickly take refuge in the informal sector – doing odd jobs, or selling tortillas or pirated cassette tapes in the cities. More than two

thirds of Mexico’s working-age population works in the informal sector,⁴² where wages are unreliable and social benefits like health insurance and vacation pay do not exist.

Independent analysts estimate that at least 25 percent of Mexican workers are underemployed, meaning they cannot find work that allows them to cover basic necessities. More and more workers are pushed into this sector as small businesses close.

Mexican Workers

NAFTA negotiators trumpeted the agreement as Mexico’s ticket to better wages, more jobs and an improved standard of living for workers. Seven years later, the reality is just the opposite:

- Mexican workers now earn ten to fifteen times less than U.S. workers.⁴³
- The minimum wage in Mexico fell nearly 25 percent from 1994-99.⁴⁴
- Manufacturing wages have declined 20 percent since 1994.⁴⁵
- From 1993 to 1997 the percentage of workers who received less than the minimum wage increased from 19 to 21 percent.⁴⁶
- A generation of Mexicans now earn less than their parents did.

Although NAFTA has brought jobs to Mexico, those jobs are often low-paid with few benefits. The majority are maquila jobs, where sexual harassment, verbal abuse and low wages (an average of \$28 to \$45 a week) are common. Independent analysts claim a Mexican family needs at least \$50 a week to cover basic needs like food, utilities and clothing. This number does not include necessities like medicine, schoolbooks or public transportation.

U.S. workers faced similar conditions 75 years ago, prompting the formation of a strong labor movement to protect workers’ rights. There are, however, some critical differences. In the United States, the formation of a powerful labor movement was aided by the nature of industry in the early twentieth century. The U.S. industrial sector was, at that time, heavily capital and labor intensive.

Mines, steel mills and dockyards were expensive, not easily moved and dependent on a large pool of both skilled and unskilled workers. Though organizers faced many obstacles and dangers from both the corporations and their friends in government, U.S. labor grew largely because in the end, corporations needed labor, and capital flight was—in most cases—not an option for the corporations.

In Mexico, and indeed throughout the “developing” world, the neoliberal economic model offers labor to foreign corporations who can move from country to country at will. There is little intense capital development, which would provide a disincentive for capital flight. The elimination of laws and regulations that require capital investment, purchasing local products, or long-term commitment further assists corporations that seek the ability to move their capital at will. And this model strongly de-emphasizes developing national industry. Thus, open borders for foreign corporations will create a “race to the bottom,” as countries compete to offer them lower wages and loose government regulations. So corporations “investing” in Mexico have the right and the ability to move from Mexico to one of its neighboring countries – with few financial burdens – anytime they feel burdened by organizing labor or pesky environmentalists.

Predictably, Mexico’s labor movement has suffered under NAFTA. Foreign investors – reluctant to accept independent unions – often allow only government-organized, management-friendly unions. The Mexican government hesitates to enforce its own labor laws for fear of scaring away investors. A NAFTA side agreement created a commission to handle cases of alleged labor rights violations. But of the 22 cases brought to the commission, the majority of them dealing with violation of the freedom to organize, none have resulted in significant penalties.⁴⁷

Women

Deteriorating economic conditions have pushed more Mexican women into both the formal and informal workforce. Women’s participation in the formal workforce climbed from 19 percent in 1970 to 37 per-

cent in 1997.⁴⁸ Women still earn ten percent less than men, and receive fewer benefits.⁴⁹ They are also still expected to manage the household, taking responsibility for cooking, cleaning and caring for children.

Women also account for a large proportion of informal sector workers; when money is tight, they often work as maids, sell tortillas or seek other informal work to make ends meet. Thirty-five percent of Mexican households are headed by women, who must assume sole responsibility for both economic security and domestic duties.⁵⁰

Migration

Free trade, as promoted by the United States, ensures that goods can move freely across borders without the obstacles of taxes or tariffs. Those borders are closed, however, to workers looking for better paying jobs. During NAFTA negotiations, Mexican President Carlos Salinas pushed for an immigration section to be included, but the U.S. negotiating team refused.

Increases in poverty in Mexico drive an estimated 1.4 million Mexicans to the United States each year, most of them undocumented.⁵¹ They leave behind communities who will depend on them for economic support. Rosario Calvo, a peasant farmer in a small town in southern Mexico, worries about the effect of this on her community. “You don’t see any young people around here anymore,” she says. “Each month at least 15 to 20 of them leave to go to the United States and work.”

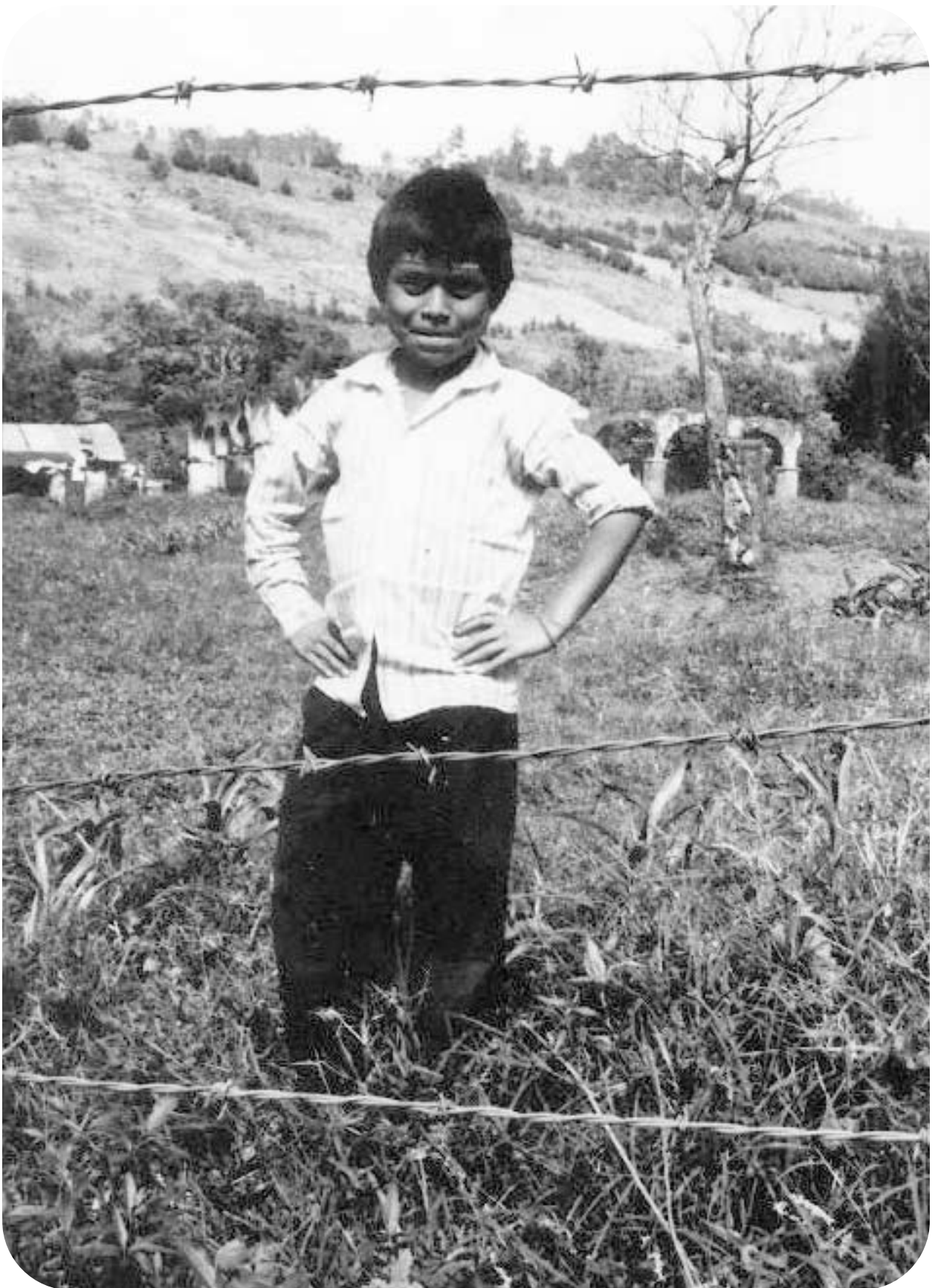
At the border, migrants find an increasingly militarized situation. Still, not even the several thousand new U.S. border patrol agents or the \$1.5 billion the U.S. government invested since NAFTA in fences, helicopters, underground sensors and other equipment can deter the flow of migrants.⁵² Instead, the militarized situation pushes migrants to cross in even riskier areas. According to the Mexican State Department, 500 undocumented migrants died crossing the border in 2000 alone.

“We mothers can’t stand to see our children suffer. We get up so early, and we send our children to school half-fed, because we can only get beans and a little chile. We worry about how to afford everything on so little money.”

ROSARIO CALVO, MOTHER OF FIVE



Women, like Margarita Pérez from San Caralampio, Chiapas, bear much of the burden of the rural economic crisis.



THE FREE TRADE AREA OF THE AMERICAS: *A Hemisphere for Sale*

Certainly not all of Mexico's economic and social problems can be blamed on NAFTA. It is clear, however, that NAFTA has not helped the Mexican economy catch up with its northern neighbors', nor has it brought the development it promised to Mexico. In fact, most Mexicans, like Javier Pérez, are worse off than they were seven years ago. Worsening economic and social conditions in Mexico have serious repercussions in the United States as well, especially along the border, as the two economies and societies become more interdependent.

Even so, the United States continues to promote NAFTA and the neoliberal model as the only path to development. Less than a year after NAFTA took effect, plans were already in place to expand it to the rest of the Americas. In December 1994, thirty-four heads of state from all countries of the hemisphere (excluding Cuba) met in Miami, Florida, to discuss a Free Trade Area of the Americas. The agreement is set to be negotiated by 2005, although some countries, including Chile and the United States, are pushing for a full agreement by 2003. The FTAA would constitute the world's largest trading block, with a market of 745 million people.

Already smaller trading blocks have formed in the Americas; there are dozens of free trade agreements in place. These countries hope to consolidate their trading power in order to compete with larger economies in the hemisphere.

Full negotiations for the FTAA began in April 1998 at the Summit of the Americas in Santiago, Chile. As with NAFTA, the FTAA is being negotiated by government trade ministers. The negotiations originally involved twelve working groups, later transformed into nine negotiating committees:

market access, investment, services, government procurement, dispute settlement, agriculture, intellectual property rights, subsidies and competition policy.

Perhaps the most alarming aspect of the FTAA is the fact that key issues are left out of the debate. Crucial elements such as human rights, environmental and labor standards and immigration policies are conspicuously absent from negotiations, just as they were from NAFTA. Noting the damage NAFTA has done in these areas, civil society groups are demanding that the FTAA address them.

Little information about the FTAA has appeared in the news media, and there has been no broad consultation with society in the different countries.

Organized civil society participation is officially limited to submitting suggestions to a Committee of Government Representatives of Civil Society. Without broad participation from different sectors of society and a transparent negotiation process, the FTAA will surely follow the "profits before people" mentality, and overlook the interests of those affected most by it, as NAFTA did.

"The problem isn't Fox, or Salinas, or Zedillo. It's a model. They didn't invent the model. The conditions are here, the model is here, and it's going to get worse."

ABRAHAM MONTES, CONFEDERACIÓN NACIONAL DE CAMPESINOS



Textile worker's cooperative union in Mexico City was first formed on September 19, 1986 by women textile workers. Later they organized numerous textile cooperatives throughout the city.

PHOTO BY: CINDY REIMAN, IMPACT VISUALS

THE FTAA AND MEXICO: *More of the Same?*

What can Mexicans like Javier Pérez expect from the FTAA? A hemisphere-wide trade agreement could be positive, if the negative impacts of NAFTA are taken into account and the interests of the majority represented. However, the scarce public information available about the FTAA suggests that both the process and the agreement itself are largely modeled after NAFTA. Once again, Mexicans like Javier are left out of the negotiation and development of policies that will directly affect them.



Toxic gases and water wastes foul air and streams in the neighborhoods of the maquilas. Newspaper vendors wear masks as they hawk their papers. School children have to cross rivers of sewage and chemical wastes that flow from the maquilas down into neighborhood streets.

PHOTO BY: DONNA DECESARE

Mexico is no stranger to free trade agreements; former President Ernesto Zedillo signed 27 in his term alone, and Mexico already has agreements with most Latin American countries. The sheer size of its economy, along with its relatively developed industrial sector, could give Mexico an advantage over other Latin American countries in the FTAA negotiations that it didn't have with NAFTA.

The FTAA could bring macroeconomic benefits to Mexico, particularly a rise in

exports as Mexican products find new markets in poorer countries. But these will likely continue to benefit the same 300 Mexican companies who already account for most of the country's exports.

"The FTAA is nothing less than the hemisphere-wide extension of NAFTA. For the people of Latin America and the Caribbean, this would mean submitting themselves to unequal integration. For Mexico, it will reinforce the power of the supranational economic law to which it is already subordinated."

MEXICAN ACTION NETWORK ON FREE TRADE (RMALC), 2000

Open borders in other countries could shift foreign investment from Mexico to countries like Nicaragua, Honduras and Guatemala, where wages, and labor and environmental standards are lower. This would inevitably lower wages in Mexico even more, as it struggles to compete.

Judging from the effects of NAFTA in Mexico, the FTAA will likely hurt workers and small farmers in neighboring countries. Farmers in many of these countries – Nicaragua and Guatemala, for example – receive very little government support now, and this support is likely to decrease even more. Wages could also decrease, as these countries compete to offer cheap labor to foreign investors. This will put pressure on Mexico – already a buffer between the United States and Central America – to handle increased immigration flows, as desperate farmers and other workers move north. Already Mexico, with funding and training from the United States, has militarized both its southern and northern border in order to deter the flow of undocumented migrants.

GUATEMALA AND THE FTAA: *A Nation On the Auction Block*

What will the FTAA mean for the hemisphere's poorest countries? Examining Guatemala as a case study highlights the disadvantages less-developed countries face as they enter into free trade agreements with larger, more powerful economies. Guatemala's economy is one of the smallest in the Americas; its 1999 GDP was only \$17 billion, and total 1999 exports were just \$4.65 billion.

Guatemala is the second poorest country in the hemisphere, behind Haiti,⁵³ with 80 percent of the total population living in poverty.⁵⁴ As in Mexico, the country's wealth is unequally distributed: the wealthiest 20 percent of Guatemalan society earns 61.4 percent of national income while the poorest 20 percent receives only 3.5 percent.⁵⁵ Guatemala's social indicators are striking: nearly 75 percent of Guatemalans do not have adequate shelter, half the population lives on less than \$1 a day, and illiteracy hovers at 35 percent.⁵⁶

Widespread poverty and an underdeveloped industrial sector mean Guatemala has little to offer the global market. Raw materials and cheap labor are its primary comparative advantages. Guatemala's principle exports are agricultural products like coffee, sugar and bananas – all exceedingly vulnerable to price fluctuations on the world market.

The Guatemalan government has taken clear steps to open its economy to foreign investment and assert itself within the global market. Under pressure from the IMF, the Guatemalan government privatized state-run industries like the telephone and electric company, railroads, and the mail system. Guatemala has signed trade agreements with several Latin American countries, most recently the "Northern Triangle" agreement, with Mexico, Honduras, and El Salvador.

Guatemala has gradually shifted its economy away from production for local markets

to export production. Many of these are non-traditional products such as assembled textiles and winter vegetables (snow peas, broccoli, cabbage and others). Non-traditional exports climbed from \$399 million in 1991 to \$1.2 billion in 1999.⁵⁷

The FTAA could bring more export earnings to Guatemala. But as in Mexico, these earnings will likely concentrate in the top tiers of the economy, enriching the owners of the 389 Guatemalan-owned businesses with export capacity.⁵⁸ Very little wealth generated from exports is re-invested in the national economy.

Guatemala is already dependent on the U.S. economy; the United States is Guatemala's most important trade partner. In the first half of

2000, Guatemala had a trade deficit (meaning it imports more than it exports) of \$512 million with United States.⁵⁹ Guatemala has trade deficits with most of its other trading partners as well. As with Mexico, even small changes in the U.S. economy or the other economies it depends on affect demand for Guatemalan goods, dramatically impacting Guatemala's fragile economy.

Guatemalan Agriculture

In Mexico, NAFTA simultaneously undermined peasant agriculture and facilitated foreign ownership of land. The FTAA threatens to do the same in Guatemala.

"We knew [NAFTA] would hurt us, instead of helping like they said it would. We knew we'd have to sell our products in a competitive market without the technology or financial support from the government. We knew prices for our products would go down ... We agree there should be trade agreements, but food products don't belong in those."

JAIME AMADOR CHAIREZ,
MEXICAN BEAN FARMER



Guatemala is largely an agrarian society; about 55 percent of Guatemalans depend directly on agriculture for a living, and other economic sectors are indirectly linked to agriculture.⁶⁰ Agricultural exports are an important source of income in Guatemala, accounting for 57.4 percent of total exports in 1999.



Fernando from Sinaloa, Chiapas, Mexico.

Trade liberalization in Guatemala has its roots in at least three decades of non-traditional export-promotion strategies, particularly in the agricultural sector. Ostensibly intended to help the country's most vulnerable improve their economic situation, this strategy has often backfired, keeping small farmers dependent on global market forces beyond their control. The FTAA will likely exacerbate this trend even more.

Rudy Sacuj is the president of a cooperative of peasant broccoli farmers in Guatemala's highland region. He and his neighbors could no longer support their families by growing basic grains, so they switched to producing broccoli for export. Like many farmers in his community, Rudy's family did see improvements in their standard of living. However due to the many risks associated with growing crops for the international market, these improvements were short-lived.

The Guatemalan-owned agro-exporting company that purchases the broccoli from his community told Rudy that "market problems" in the United States caused a

drop in the demand for their product. As a result, his cooperative was not paid for the 1999 production cycle. Small farmers like Rudy who dedicate most of their time to fragile, labor-intensive export crops rely on the sale of these crops to buy food. If the crop fails or the market price falls, there is little government support to fall back on, and their families go hungry.

As their debts grow, farmers like Rudy find it increasingly difficult to make ends meet. "They only pay us for 80 percent of what we produce, saying the rest is not good quality, so we start the next production cycle in debt," he says. Under the FTAA, indebted farmers could increasingly feel pressure to sell their small plots of land. Already, seventy-five percent of Guatemala's best land is cultivated by less than one percent of total producers, while 96 percent of farmers are confined to just 20 percent of the land.⁶¹ Unequal land distribution was a major cause of Guatemala's 36-year civil war. The FTAA will not alleviate these pressures. In fact, it could contribute to more social and political instability.

Guatemalan Workers

Guatemala's primary comparative advantage in the global market is low-wage, non-unionized labor. Since most neighboring countries share the same comparative advantages, Guatemala competes in the "race to the bottom," to offer foreign investment the lowest wages and loosest government regulations. For example, the minimum wage for *maquila* workers in Guatemala is \$35 a week, while the minimum wage in Nicaraguan *maquilas* is only \$15 a week.⁶²

The same applies to other sectors: the legal minimum wage for Guatemalan agricultural workers is only \$24 a week, and \$27 for other sectors.⁶³ Both fall far short of the

estimated \$68 a week a Guatemalan family needs to cover its basic costs.⁶⁴

When the Guatemalan government recently increased the minimum wage by 16 percent, Kwang Ho Yoon, representative of a Korean *maquila* that exports to U.S. department stores, responded by warning that, “Actions like the salary increase make *maquilas* move to other countries.” He reminded the government that in Nicaragua and the Dominican Republic, authorities “grant advantages to Korean textile investors.”⁶⁵ In 1999 alone, 17 *maquilas* left Guatemala for countries with more advantageous investment conditions.⁶⁶ There are 700 *maquilas* in Guatemala.⁶⁷

Guatemala’s participation in the “race to the bottom” threatens banana workers as well. Jorge Palma, a union leader, describes the danger posed to workers in this sector. “Now the company is telling us that because of lower banana prices on the international market, they want to decrease our salary by 30 percent and our benefits by 75 percent,” he says. “They told us if we don’t accept their conditions, they will just go to another country.”

If fashioned after the NAFTA model, with essentially no protection for labor rights, the FTAA would likely exacerbate this race to the bottom. Guatemala’s labor movement, already weakened from government policies that prioritize foreign investment over workers’ rights, will likely suffer more with the FTAA. Currently, only 8.1 percent of Guatemalan workers are union members.⁶⁸ Increased competition from other impoverished countries, like Nicaragua, will further erode Guatemala’s ability to negotiate collective bargaining agreements with their employers.

“As a country we are ceding our territory. By competing with low wages and not providing protection for workers and the environment, our territory will be given to foreign companies and foreign capital.”

HOMERO FUENTES, GUATEMALAN LABOR AND ECONOMIC ANALYST

As with the NAFTA negotiations, promoters of the FTAA tout economic integration as the only path to development for Guatemala and other poor countries. If modeled after NAFTA, the FTAA will not improve conditions for workers, or attract skilled-job opportunities and investment that fosters sustainable development. Instead

“The people in the United States should know what it’s like for us here. On the other side of the border there are more jobs, and they pay better. The *maquilas* that come here are from the United States. I wish there were more support for workers, that they would think about us, our living conditions and our families.”

ESPERANZA, MAQUILA WORKER
IN NOGALES, MEXICO



A worker-owned glass factory in Mexico City.

it will solidify Guatemala’s current role in the globalized economy. Because Guatemala’s neighbors offer essentially the same comparative advantages – cheap labor, raw materials and agricultural products – Guatemala will increasingly compete with them for foreign investment and markets, while the majority fall further into poverty.

CIVIL SOCIETY: “Not this FTAA”

“We now have the [Mexican] experiment to demonstrate the effects the FTAA could have,” says Andrés Peñalosa of The Mexican Action Network on Free Trade (RMALC).

“There’s no evidence of any of the promises made for free trade, like a better standard of living, better environmental conditions, better jobs. Even though the North American economies are growing, there has been no trickle down of wealth.”

The prospect of NAFTA-style economic integration on the hemispheric level has

prompted an unprecedented collaboration among civil society organizations throughout the Americas. Despite the lack of specific information available about the FTAA, these organizations are articulating common critiques and alternative proposals to ensure that the needs of all sectors are given a voice at the negotiating table. Above all, international working groups and citizens’ movements are advocating for increased civil society participation in the negotiation process. They raise specific concerns about the FTAA and its projected harmful effects in areas such as social development, human rights, the environment, and labor rights.



Esperanza, Maquila worker in Aqua Prieta, Sonora, Mexico at “Velcromex” velcro factory.

Witness for Peace, along with other grassroots organizations, is working to influence the FTAA negotiations. Any hemispheric free trade agreement should be a means to an end – sustainable social and economic development – rather than an end in itself. We call for an FTAA that:

- prioritizes social development and human needs. Any hemispheric trade agreement must work toward the eradication of poverty and inequalities within and among nations, between men and women, and among races.
- takes into account the vast differences in levels of economic development in the hemisphere and establishes mechanisms to help smaller economies catch up with more powerful countries, as was done in the European Union.
- includes broad participation of civil society. A new development model must be promoted, based on popular participation in the planning, decision-making, implementation, and evaluation of development plans.
- facilitates the creation of high quality jobs, with special protections for women and minorities. A worker’s rights clause should be included in any hemispheric trade agreement, with an enforcement mechanism and a supervisory role for the International Labor Organization (ILO).
- holds corporations accountable to the communities in which they operate. These corporations should pay local taxes and respect local laws so that they contribute to local development.
- establishes the primacy of international environmental and human rights agreements over trade agreements.
- allows countries to protect or exclude staple foods from trade agreements.
- includes agreements regarding migrant workers. Any trade agreement should address the root cause of immigration problems: unequal economic opportunities in member countries. Agreements should allow for variation in immigration policies, but facilitate funding for programs that increase economic well-being in countries that are major exporters of labor.

Most of Latin American civil society does not reject economic integration as a means to generate wealth, but challenges the neoliberal framework that has been applied to free trade agreements, which grants that wealth to a small elite class. If economic integration is approached as a means toward the ultimate goal of human development, and mechanisms are included to ensure the fair and free participation of economies of drastically different sizes and levels of development, then each country could greatly benefit from such an agreement.

Beyond Free Trade Agreements

For economic relations to be truly free and fair among nations of the hemisphere, we must move the debate beyond free trade agreements, and seriously question the dominant neoliberal development model itself. Structural economic issues, such as unbalanced relationships between developed and developing nations; domination of corporate over local interests; and over-consumption of resources by wealthy countries must be addressed in a new approach to international development. This approach must support local businesses and agricultural production.

As corporations grow and become international, they are less accountable to any particular nation or community. An alternative development model must include mechanisms for holding corporations accountable to the communities in which they produce and market their goods. To ensure that local, human interests supercede the interests of international corporations, those companies must pay taxes that provide for domestic social services and human development programs.

As U.S. consumers, we are an important part of the global economy. Any new

approach to development must recognize this role and question the consumption habits of U.S. citizens. As privileged members of the world’s most powerful economy, we must take seriously our responsibility within the global economic system to make careful decisions as to what we buy and consider how our purchases affect people in other countries.

Javier and his family deserve a place in the global economy. Trade agreements like NAFTA and the FTAA impact more than just import and export figures – they directly affect millions of lives throughout the world. Economies must serve the people that power

Economies must serve the people that power them, instead of the corporations that control them.



them, instead of the corporations that control them. Any future trade policy or agreement must include and prioritize the human factor, working to better the lives of the poor majority.

Mexican peasants, workers and indigenous populations have organized to make “free trade” fair trade.

FAST TRACK: *A Mechanism for Exclusion*

The United States Constitution grants Congress exclusive authority to design and implement commerce policy, including the negotiation of free trade agreements. For the President to negotiate trade agreements with foreign governments, Congress must delegate all or part of this constitutional authority to the President. Fast track is one mechanism for this delegation of power from Congress to the President, allowing the President to negotiate trade agreements with the guarantee that Congress will consider the resulting agreement without changes or amendments.

If Congress grants Fast Track to a President, he or she gains sole negotiating authority to set the terms of the agreement. The President also receives the power to sign a trade agreement, committing the United States to its terms under interna-

legislation with no amendments and very limited floor procedures, and simply vote “yes or no,” on the agreement which already has been signed.

Currently, Fast Track authority has been expired for two years. Reauthorization of Fast Track will require specific legislation detailing that delegation of authority to the Executive. President George Bush, Sr., negotiated NAFTA using the Fast Track authority.

However, President Clinton was denied Fast Track to expand NAFTA to Chile, largely because of grassroots and labor pressure in the House of Representatives. After the NAFTA experience, citizen groups were not going to let another free trade agreement be pushed through Congress, without any mechanism for civil society input or even amendments to the text.

Fast Track remains expired because of many representatives’ concerns that it inappropriately limits congressional participation in the design of trade agreements. For example, in the past Congress has stipulated that labor standards should be included in trade agreements, but when the President has returned with agreements that do not include labor standards, Congress, limited to a yes or no vote, could not put them into the agreement.

It is possible to negotiate free trade agreements without Fast Track, even though some countries insist on it to expedite the process. Congress may choose to implement another negotiation authority, and still retain the right to add amendments and make changes to the agreement and implementing legislation.

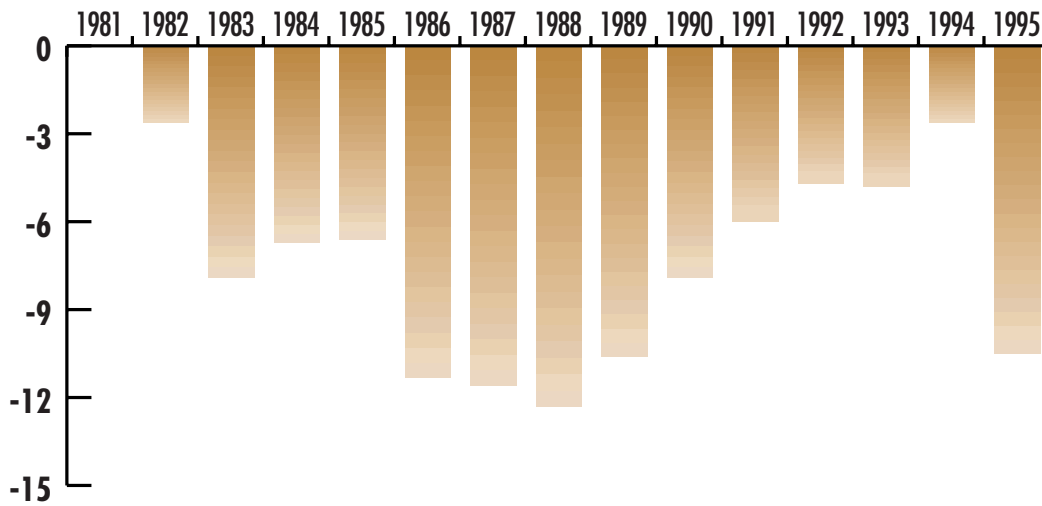


Small bean producers selling their harvest on the street in Mexico City.

tional law, before the agreement goes for a congressional vote. Finally, the President also is delegated the power to write the implementing legislation, which changes federal laws so that they conform to the terms of the agreement.

When the agreement and implementing legislation go before Congress for a vote, Members must vote on the agreement and

GROWTH IN PER CAPITA INCOME IN MEXICO



Source: Grupo Parlamentario PRD, 2000

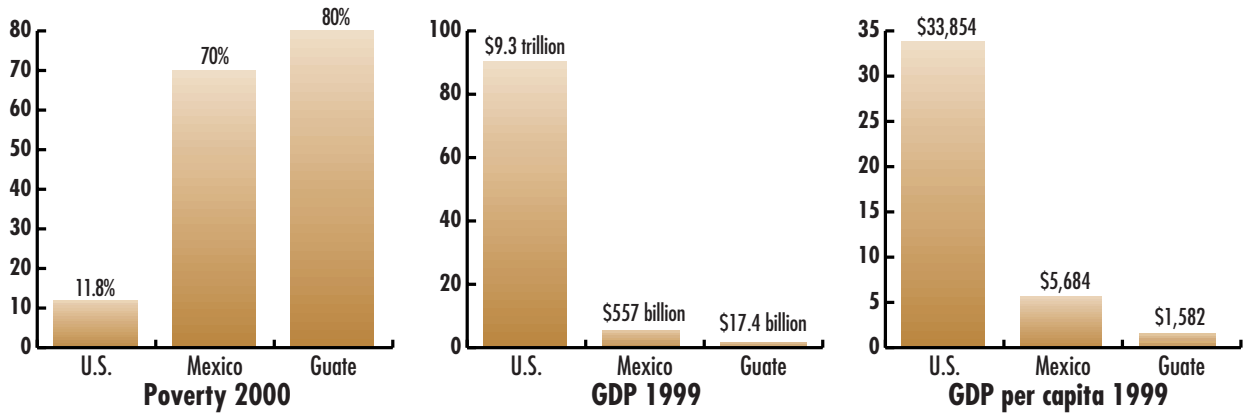
AGRICULTURAL PRODUCTION IN MEXICO PRE- AND POST-NAFTA

(in millions of tons)

	1988	1993	1998
Corn	10.59	18.12	16.42
Wheat	3.66	3.58	3.32
Soybeans	0.26	0.49	0.23

Source: Grupo Parlamentario PRD, 2000

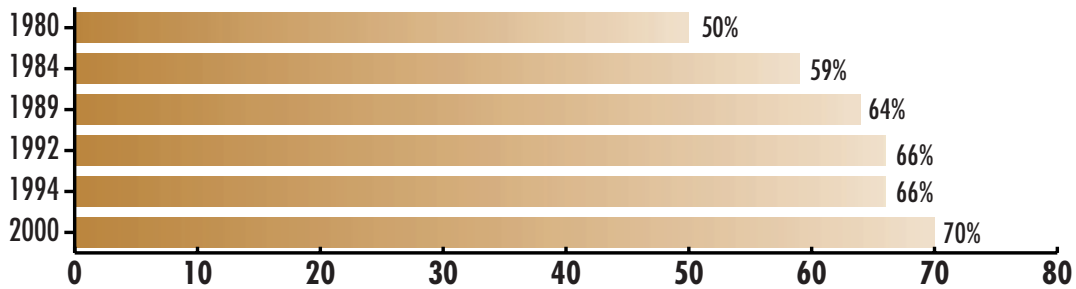
U.S. AND MEXICAN SOCIAL AND ECONOMIC INDICATORS :



Sources: U.S. Department of Commerce, U.S. Department of the Census, Guatemalan Central Bank, Instituto Nacional de Estadística Geografía y Informática

POVERTY IN MEXICO

(percent of total population):



Source: Fondo de Apoyo Mútuo (FAM), 2000

GET INVOLVED: *Action Steps*

As a U.S. citizen-activist, you may be feeling frustrated or powerless to stop the economic violence inherent in unfair trade policies. The problems are deep, longstanding and seemingly intractable. However, we can make change. Just as the global social justice movement is beginning to win victories in the struggles to change the international financial institutions like the World Bank and the International Monetary Fund, so too can we change trade policies like the FTAA and NAFTA.

This is a historic moment in the ongoing development of a globalized economy. The trade agreements that have been negotiated and will be negotiated will shape the nature of trade and the global economy for decades to come. The decisions that are made in the next few years will determine whether or not trade between the global North and South will be fair and just.

Our immediate action can have a significant impact on the future of trade policy. There are important steps that we can take to prevent further damage in the short term, and make things better in the longer term through changing policies and our own lives!

- **Stop Fast Track!** When the U.S. Congress gives Fast Track negotiating authority to the President, they give up their right to give input to the negotiations. When the President has Fast Track authority, Congress can only vote yes or no on the final negotiated agreement. Collective action from Witness for Peace and other groups denied President Clinton Fast Track authority when he tried to expand NAFTA to Chile. We do not want President Bush to obtain Fast Track authority for the FTAA negotiations. Please stay tuned to www.witnessforpeace.org/trade.html.
- **Not this FTAA!** As you have read, the FTAA, in its current form, is both unfair and misguided. Make sure your Senators are going to vote against any FTAA that helps

corporations, while hurting the poor. Stay tuned to www.witnessforpeace.org/ftaa.html for updates and info.

- **Stay Involved!** In the longer term, we must continue to work for inclusive and fair trade agreements that help people instead of corporations. Get involved with the Witness for Peace region near you! www.witnessforpeace.org/regions.html.
- **Stay Informed!** Sign up for Witness for Peace's Call-A-Week program, that gives each member one legislative action per week. Sign up through your regional WFP office, by either calling (202) 588-1471 or going to www.witnessforpeace.org/call.html.
- **Invest Responsibly!** When it comes time for you to make your own decisions about how to invest your money, keep in mind your political beliefs. If we are asking corporations to make choices based on people, rather than a few percentage points of profit, shouldn't we be prepared to make the same choice? There are many ways to invest responsibly. For more information, check out www.socialinvest.org.
- **Consume Responsibly!** This action is certainly easier said than done. There are, however, some steps you can take, including finding "Fair Trade Markets" near you <www.ifat.org>, being aware of which corporations are labor or environmental abusers, and shopping responsibly. Also, it is good to keep in mind how your own personal consumption habits influence the lives of people around the world. How much of what you consume do you actually need? What can you do without?
- **See for yourself!** Witness for Peace has many labor-focused delegations to Latin America, where you can see firsthand the situation in countries such as Nicaragua, Guatemala, Mexico and Colombia. Not only will you have an unparalleled opportunity to visit and meet with local people, you will also gain access to information allowing you to make the connections between U.S. policies/practices and the human rights situations in other countries. Check out www.witnessforpeace.org.

Other organizations that work on trade issues:

- **Mexican Action Network on Free Trade (RMALC)**
www.laneta.apc.org/rmalc
- **Hemispheric Social Alliance**
www.asc-hsa.org
- **Mexico Solidarity Network**
4834 N. Springfield
Chicago, IL 60625
773-583-7728
www.mexicosolidarity.org
- **Campaign for Labor Rights**
1247 E St., SE,
Washington, DC 20003
202-544-9355
CLRMain@afgj.org
- **Public Citizen**
215 Pennsylvania Ave. SE,
Washington, DC 20003
202-546-4996
www.publiccitizen.org
- **Global Action Network**
935 Mission St., Ste. 111
San Francisco, CA 94103
www.globalactionnetwork.org
- **Alliance for Responsible Trade**
927 15th St., NW, 4th Floor
Washington, DC 20005
www.igc.org/dgap/art/
- **Asociación por una Tasa a las Transacciones Financieras Especulativas (ATTAC)**
www.attac.org
- **Official FTAA website**
www.alca-ftaa.org

ENDNOTES

- ¹ Fondo de Apoyo Mutuo (FAM). Mexico, 2000.
- ² Ibid.
- ³ Grupo Parlamentario PRD. *Estudios de Evaluación del Tratado de Libre Comercio de América del Norte*. Mexico City, 2000, p. 11.
- ⁴ Chomsky, Noam. *Rogue States: The Rule of Force in World Affairs*. Cambridge, MA: South End Press, 2000. Page 213
- ⁵ Ibid. Page 213.
- ⁶ Frente Auténtico de Trabajo (FAT), "Understanding Neoliberalism," 2001.
- ⁷ Interview by *Latin Finance* magazine, June 1998.
- ⁸ MacArthur, John R. *The Selling of "Free Trade."* New York: Hill and Wang, 2000. Page 131.
- ⁹ Ibid. Page 90.
- ¹⁰ Victor Acuña Soto, Myrna Alonzo Calles. *La Integración Desigual de México al TLCAN*. Mexico, DF: Mexican Action Network on Free Trade (RMALC), 2000. Page 81.
- ¹¹ Calderón, Jorge, former Mexican Senator. Interview, 2001.
- ¹² MacArthur, John R. *The Selling of "Free Trade."* New York: Hill and Wang, 2000. Page 227.
- ¹³ Grupo Parlamentario PRD. *Estudios de Evaluación del Tratado de Libre Comercio de América del Norte*. Mexico City, 2000. Page 1.
- ¹⁴ Subsecretaría de Negociaciones Comerciales Internacionales (SECOFI). Mexico, October, 2000.
- ¹⁵ American Chamber of Commerce (AMCHAM), Mexico, 2000.
- ¹⁶ Grupo Parlamentario PRD. *Estudios de Evaluación del Tratado de Libre Comercio de América del Norte*. Mexico City, 2000. Page 2.
- ¹⁷ Mexican Action Network on Free Trade (RMALC). "NAFTA and the Mexican Economy." Mexico, 2000.
- ¹⁸ Ibid.
- ¹⁹ Subsecretaría de Negociaciones Comerciales Internacionales (SECOFI). Mexico, Oct. 2000.
- ²⁰ Ibid.
- ²¹ "Tras el TLC, Mexico pasó a ser importadora de granos de los EE.UU." *La Jornada*. May 29, 2000.
- ²² Subsecretaría de Negociaciones Comerciales Internacionales (SECOFI). Mexico, Oct. 2000.
- ²³ Fondo de Apoyo Mutuo (FAM). Mexico, 2000.
- ²⁴ Chomsky, Noam. *Rogue States: The Rule of Force in World Affairs*. Cambridge, MA: South End Press, 2000. Page 98.
- ²⁵ Grupo Parlamentario PRD. *Estudios de Evaluación del Tratado de Libre Comercio de América del Norte*. Mexico City, 2000. Page 13.
- ²⁶ Agencia Pulsar, Oct. 2000.
- ²⁷ Fondo de Apoyo Mutuo (FAM). Interview. Mexico, 2000.
- ²⁸ Victor Acuña Soto, Myrna Alonzo Calles. *La Integración Desigual de México al TLCAN*. Mexico City: Mexican Action Network on Free Trade (RMALC), 2000. Page 109.
- ²⁹ "Devastador, El Saldo de Gobiernos Priístas en el Campo." *La Jornada*, Nov. 29, 2000.
- ³⁰ Mexican Action Network on Free Trade (RMALC). "The Impact of NAFTA on Mexican Agriculture." Mexico, 2000.
- ³¹ Tolman, Jonathan. Consumer Alert. "Agricultural Subsidies." 2000.
- ³² "U.S. Agriculture in the 20th Century." U.C. Berkeley.
- ³³ Mexican Action Network on Free Trade (RMALC). "The Impact of NAFTA on Mexican Agriculture." Mexico, 2000.
- ³⁴ Grupo Parlamentario PRD. *Estudios de Evaluación del Tratado de Libre Comercio de América del Norte*. Mexico City, 2000. Page 23.
- ³⁵ Asociación Mexicana de Engordadores de Ganado Bovino (AMEG). *La Jornada*, Jan. 24, 2001. Page 16.
- ³⁶ Victor Acuña Soto, Myrna Alonzo Calles. *La Integración Desigual de México al TLCAN*. Mexico City: Mexican Action Network on Free Trade (RMALC), 2000. Page 109.
- ³⁷ Kourous, George. "Environmental Problems and Cross Border Activism." Interhemispheric Resource Center, 2000.
- ³⁸ Public Citizen's Global Trade Watch. "School of Real Life Results Report Card." Dec. 1998. Page 10.
- ³⁹ Ibid. Page 6.
- ⁴⁰ Ibid. Page 7.
- ⁴¹ Dr. Enrique Brito, Fondo de Apoyo Mutuo. Interview, Nov 28, 2000.
- ⁴² Arroyo, Alberto. *Salary and Employment During NAFTA*. Frente Auténtico de Trabajo (FAT). 1999.
- ⁴³ Victor Acuña Soto, Myrna Alonzo Calles. *La Integración Desigual de México al TLCAN*. Mexico, DF: Mexican Action Network on Free Trade (RMALC), 2000. Page 81.
- ⁴⁴ Arroyo, Alberto. *Salary and Employment During NAFTA*. Frente Auténtico de Trabajo (FAT). 1999.
- ⁴⁵ Chomsky, Noam. *Rogue States: The Rule of Force in World Affairs*. Cambridge, MA: South End Press, 2000. Page 98.
- ⁴⁶ Ibid. Page 98.
- ⁴⁷ "Primera Audiencia pública sobre el caso Taesa," *La Jornada*. March 23, 2000.
- ⁴⁸ Brígida García. "Reestructuración Económica y Feminización del Mercado de Trabajo en México." Centro de Estudios Demográficos y de Desarrollo Urbano, 1999.
- ⁴⁹ Fondo de Apoyo Mutuo (FAM). Interview. Mexico, 2000.
- ⁵⁰ Leonor Aida, Mujeres Para el Diálogo. Interview, Nov. 29, 2000.
- ⁵¹ Grupo Parlamentario PRD. *Estudios de Evaluación del Tratado de Libre Comercio de América del Norte*. Mexico City, 2000. Page 1.
- ⁵² Jim Cason, David Brooks, Rosa E. Vargas. *La Jornada*. Feb. 15, 2001, page 6.
- ⁵³ UNDP, Human Development Index, 2000.
- ⁵⁴ Quiroa, Elizabeth. "El Pacto Fiscal y sus repercusiones sobre el empleo en la maquila." International Labor Organization. August 2000. (66% of Guatemalans live in "extreme poverty.")
- ⁵⁵ UNDP, Human Development Report. 2000.
- ⁵⁶ Creelman, Matthew. Editor, *Inforpress Centroamericana*. Interview, February 2000.
- ⁵⁷ Banco de Guatemala, 2000.
- ⁵⁸ Danilo Valladares. "Ahuyentan a las maquiladoras." *Prensa Libre*, Oct. 29, 2000. Page 3.
- ⁵⁹ Banco de Guatemala, 2000.
- ⁶⁰ Nishtal, Aílcar Alvarado y Marco Antonio Nájera Caal. *El Impacto Social en el Sector Agropecuario de Guatemala*. CIDECA, 1999. (Sectors indirectly linked to agriculture are the national bank; the beverage and food processing industry; and the commercial sector, marketing agricultural products.)
- ⁶¹ Ministerio de Agricultura, Ganadería, y Alimentación, 1998. Cited in "La situación de los compromisos relativos a la tierra en los Acuerdos de Paz," MINUGUA. May 2000.
- ⁶² Central America-U.S. Chamber of Commerce. Special Advertising section, *Newsweek* magazine. Oct. 23, 2000. Based on the legal work week in each country.
- ⁶³ "CACIF Espera Desempleo." *La Prensa Libre*. January 12, 2001.
- ⁶⁴ Llorca, Juan Carlos. "Estos salarios no alcanzan," *El Periódico*, Nov. 29, 2000.
- ⁶⁵ Ixcot Coyoy, Mynor. "Estudian el país." *Prensa Libre*. Dec. 8, 2000.
- ⁶⁶ Valladares, Danilo. "Ahuyentan a las maquiladoras," *Prensa Libre*. October 29, 2000.
- ⁶⁷ Mariana Maza. "Inversión debe llegar al interior del país." *Prensa Libre*, Nov. 2, 2000. Page 8.
- ⁶⁸ Fuentes Aragón, Homero. *Guatemala: Futuro del Sindicalismo. Sindicalismo del Futuro*, Fundación Friedrich Ebert. Guatemala 1998.

Acknowledgements:

This document is the work of the Witness for Peace Mexico and Guatemala International Teams. We thank our partner organizations in both countries for their support and collaboration in the research and writing. We thank our International and National offices for editing and proofreading. Most of all, we thank the Mexicans and Guatemalans who shared their stories with us, and who shaped the development of this project. We dedicate this work to them.





1229 15th Street, NW, Washington, DC 20005
phone 202.588.1471 • fax 202.588.1472
witness@witnessforpeace.org • www.witnessforpeace.org