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Mexico, Factor 18: International Trade

### **The Effects of Free Trade on Rural Mexican Farmers**

Early morning in 1993 in Baja California, Mexico, a subsistence farming family wakes up with the sunrise to begin the day's work. This family does their work on a small plot of land that is part of a communal village plot. The five children do not go to school. They stay to help on the farm, which is their family's only source of food and income. The boys go out to the fields with their father, and they toil for hours with the hot sun beating overhead. The girls help their mother cook and clean. The day ends and the cycle repeats the next day. This family, as well as many others, grows the food they eat and sells the rest. Unfortunately, this is usually not enough. They are at the mercy of nature, and if the crops do not grow due to lack of precipitation, deadly heat waves or infertile soil, they cannot provide for themselves.

Fast-forward ten years. This is now the story of the Mexican farming family whose lives the North American Free Trade Agreement (NAFTA) changed drastically. This same family still works on their small plot of land, waking up at the crack of dawn and laboring for hours on end. This time, their lives are even more difficult. The lack of protective tariffs and influx of foreign subsidized farm goods flooding the market have made it close to impossible for them to earn a livable income from their crops. They are now challenged by the effects of both nature and free trade. Eventually, with no source of livelihood, malnourished and struggling, the family must choose to either embark on the dangerous trip across the border or send their children to the drug cartels for survival.

Mexico is home to around 128 million people, of which close to one-half, about 67 million, are below the poverty line in regards to a food-based definition of poverty according to the Central Intelligence Agency's World Factbook. Despite that, Mexico is relatively high on the Food Security Index being ranked thirty-nine in the world. Mexico is ranked well in having high food safety, nutritional standards, and the presence of food safety net programs. ("Food Security: Mexico") Nevertheless, the country still faces many problems. The main issues affecting Mexican food security are agricultural import tariffs, a stagnant annual per capita growth rate and corruption.

The typical subsistence farm family is comprised of three or more children and generally includes extended family. The concept of a joint family household is intended to save money and provide support for one another ("Mexico: Family"). The gender roles for men and women are different, but they both work along side each other in the fields ("Mexico: Family"). The eldest male of the household is generally regarded as the leader and considered in charge of providing economic support for the entire family. Women are relegated to more domestic duties and are in charge of childcare. Cooking being one of those domestic duties, a typical Mexican diet includes *tortas*, *tacos*, *pazole*, *quesadillas*, *mole*, and *birria*. They also eat corn, beans, and rice with spices, vegetables and meats ("Mexico: Diet").

The Yucatán Peninsula, in the Southeast region of Mexico, is home to a "predominantly Mayan indigenous rural population" ("Mexico"). In areas such as these, subsistence farmers usually grow crops such as corn, beans, and squash ("Mexico"). Communal village plots of land are typical in extremely poor rural regions. Each family may get a small plot of land, according to the *ejido* system, in the larger plot of ten to twenty acres ("Mexico"). This system is highly labor intensive; the absence of large work animals requires the workers to harvest and plant manually, using hoes or sharp sticks. A technique called "slash and burn" is used to create fertile soil and prepare the field for cultivation ("Subsistence farming"). Education in Mexico varies depending on socioeconomic status and location. Children of rural farmers generally have less access to a proper education. Schools are not well maintained, lack updated textbooks,

and have large class sizes (“Mexico: Education”). Since attendance is not mandatory, some families prefer to keep the children at home to work in the fields. It is a difficult choice to not educate their children because although it is desired, without their work in the fields, the family would starve. Another difficulty is when a family member gets sick. According to Mexican law, healthcare is free to all citizens at any government-operated facility. But those facilities are often located at great distances from most rural families. Instead, people in rural areas are forced to rely more on home remedies and herbal medicines.

The North American Free Trade Agreement is an agreement between the United States, Canada, and Mexico. Its main objective is to phase out tariffs between the three countries. Furthermore, it includes provisions for side agreements on labor and environmental issues. Prior to NAFTA, small subsistence farmers competed with large commercial farmers from within Mexico. This was already a difficult enough task. Due to the reduction of tariffs outlined in NAFTA, Mexican markets have been overwhelmed with agricultural goods from the United States. Now subsistence farmers must price their goods to compete with farmers from the U.S. and Canada too. Subsidies from the U.S. federal government to its farmers cause the produce shipped to Mexico to be cheaper than what local Mexican farmers can sell for.

Investigative reporter Amy Clark writes, “A U.S. corn grower receives an average annual subsidy of \$20,000 a year. The Mexican government gives their farmers just \$100.” The stark difference between the two greatly reduces the agricultural productivity of small Mexican farmers. When foreign subsidies are much greater in comparison, it harms the selling capabilities of the locals. Statistics on agricultural dumping show that “U.S. corn is typically dumped in the Mexican market at up to 30% below the cost of production” (“NAFTA Truth and Consequences”). Therefore the markets become flooded with cheaper products, and the demand for locally grown produce diminishes. This has created a huge loss of jobs, especially for Mexican corn farmers. The loss of jobs resulted in increased emigration to the U.S. In fact, “an unprecedented rate of half a million [jobless Mexicans] a year” migrated to the U.S. after the passage of NAFTA (Carlsen).

One of the goals of NAFTA is to reduce the wage gap between Mexican and American workers. Unfortunately, as compared to 2014, “Mexicans earn less than they did in 1994 when NAFTA was first enacted” (Kolhatkar). A World Bank study on rural poverty in Mexico showed that extreme rural poverty went from 38 percent in 1994 to 52 percent in 1996 (Exico). In just the two years after the enactment of NAFTA in 1994, extreme poverty increased by 14%. A large part of the rural population does not own any land and solely relies on day labor, often for less than minimum wage, to support their families (“Mexico”).

The largest prevalence of malnutrition is in the rural South where many indigenous populations live. They lack access to government programs and are not adequately educated on proper nutrition. Additionally, small farmers can only grow the crops that will produce the most income for their family. With a limited amount of land it is difficult to get a well-balanced, nutritious diet if one can only grow a few select crops. Local open-air markets are common in smaller rural areas. Farmers can send their produce to these markets or sell them directly at the market. Depending on how isolated the family, the less access to markets they will have. The markets will sell a variety of goods but some families cannot afford to shop there due to U.S. subsidized crops driving down their prices.

Mexico became a member of the World Trade Organization (WTO) in 1995, one year after joining NAFTA. Since then, Mexico has entered into many free trade agreements with other countries such as Colombia, Panama, Peru, Japan, and the European Union. Mexico has also signed preferential trade agreements (PTA) with MERCOSUR (a trading block of South American nations), Ecuador, and Panama. Moreover, on February 4, 2016, Mexico signed the Transpacific Partnership Agreement (TPP), which is

not yet in force. The goal of the TPP is to strengthen and improve the provisions in NAFTA, along with promoting economic development and preserving the environment. Currently, NAFTA has eliminated “tariffs on over 9,000 products traded among the United States, Mexico, and Canada” (Stenzel and Frey). Although it acts primarily as a trade agreement, NAFTA includes an environmental component as well. The major environmental consequence of NAFTA on Mexico is that “environmentalists label Mexico as a ‘pollution haven’ for U.S. businesses seeking less-stringent enforcement of environmental laws” (Stenzel and Frey). U.S. companies destroy the ecosystem in Mexico because it is cheaper and Mexican officials rarely hold them culpable. Despite numerous environmental laws, Mexico does not have the infrastructure or funds to enforce them. That, in turn, leads to the destruction and acquisition by greedy corporations of what little land poor rural farmers do have.

When looking at NAFTA’s effect on exports and investments with a wider lens, it can be considered beneficial to Mexico’s economy. The reduction of tariffs has greatly increased free trade between the countries. Since its enactment, “the value of Mexican goods exported to the United States grew from \$39.9 billion in 1993 to \$210.8 billion in 2007, an increase of 437 percent” (Sommer). Additionally, the number of investments into Mexican maquiladoras (factories that assemble products from goods exported by the U.S. to be sold back to the U.S.) has greatly increased since NAFTA. The maquiladoras products compose “almost half of Mexican exports and over \$41 billion in annual sales” (Sommer).

Unfortunately these figures mask the many negative impacts of the agreement. At the very least, the increase in both imports and investments has caused the Mexican economy to be deeply reliant on American economy. Conversely, looking at NAFTA’s effect on unemployment and annual per capita growth, it would irrefutably be deemed as having a negative impact on Mexico’s economy. Some argue that NAFTA was beneficial for employment, but statistics show that the initial drop in unemployment was misleading because after 1996, the unemployment rate grew significantly. It reached a high of 5.93 percent in 2009 (Ferierra). Furthermore, since NAFTA went into effect, “the country’s annual per capita growth flat-lined to an average of just 1.2 percent” (Carlsen). The lack of growth has caused Mexico to suffer in terms of food security. If no change is made, the country will continue their stagnancy and rural Mexican citizens will continue to sink into poverty.

Plagued with drug violence and dangerous cartels, Mexico faces a plethora of issues regarding corruption and the sale of narcotics. Political science professor at Brown University and published author of Border Games, Peter Andreas, wrote, “[p]ushing NAFTA through Congress...required deflecting concerns that opening the border to legal trade might unintentionally open it to illegal drugs.” Andreas correctly predicted that NAFTA would enable more illegal drugs to be smuggled across the border. Statistics show, “8,500 trucks from Zetas’ stronghold in northeastern Mexico cross into Texas on a daily basis” (Kelley). The Zeta cartel now controls the most land in comparison to any other Mexican cartel; they rule over “10,000 gunman stretching from the Texas border to Central America” (Kelley). This affects the small subsistence farmer family in that they can easily be threatened and coerced into joining the cartels. These families sometimes have no other option. The cartels will steal their land and forcibly recruit their children.

The solution to helping Mexico’s economy flourish and increasing food security is simple. Abolish NAFTA. While it can be argued that NAFTA did decrease poverty in Mexico, statistics show that when compared to other Latin American countries, Mexico fell behind. From 1994 to 2012, Mexico decreased its poverty count by 8 percent (Aguayo-Tellez et al). On the other hand, Latin American countries as a whole (excluding Mexico) decreased their percentage of poverty stricken citizens by 20 percent in the same time frame (Aguayo-Tellez et al). Abolishing NAFTA would allow the Mexican government to place protective tariffs on agricultural products. Those tariffs would protect rural Mexican farmers from subsidized American crops. Farming Mexicans suffered “a net loss of 1.9 million [agricultural] jobs” (Aguayo-Tellez et al). Being able to sell more produce at a profitable price will save agricultural jobs and

promote economic development. Additionally, statistics showed that Mexico and South Korea both had a similar economic growth rates pre-NAFTA (Aguayo-Tellez et al). South Korea, however, is now a high-income country. Experts predicted that if Mexico had continued to grow at its pre-NAFTA rate, its living standard would be around the same as the Netherlands today (Aguayo-Tellez et al).

NAFTA caused Mexico's economy to be largely intertwined with U.S. economy. When the U.S. has a recession, it greatly affects Mexico because Mexico is inherently more reliant on U.S. imports/exports than vice versa. Additionally, eliminating NAFTA would help Mexico's environment. Preventing U.S. companies from exploiting its lack of enforcement of environmental laws due to insufficient funds will be much easier without NAFTA allowing those money hungry companies in.

In addition to eradicating NAFTA, other measures can be implemented to try to reverse the effects. Currently, the non-profit organization, Christel House International, has a program in Mexico City to raise one hundred children out of poverty and provide them with education, health care, and nutritional assistance. While this is an admirable goal, this will only impact the lives of a few children; such programs should be expanded to include the millions of other starving and poverty stricken children. Rural farmers can readily be included in this process. Instead of helping individual children separately, the organization can build easily accessible community centers in rural communities. These centers will help to educate people of all ages in proper nutrition and beneficial agricultural techniques. They can also learn to read and write. The literacy and knowledge can be passed on to future generations but it requires this first step.

To further undo the harm of NAFTA, civic organizations can come together to support poverty stricken areas. It is a good way for local people to be involved in issues that directly affect them. Typically the people most willing to fight for improvement are those who suffer from the failures. They will be key players in implementing the assistance of these organizations into their communities. Additionally, the World Bank can provide microloans to farmers who are currently suffering from the effects of NAFTA. The loans will allow the farmers to produce more and start making real profits. This will help raise the GDP of the country. It will stimulate the economy and provide rural farmers with a steppingstone to financial stability and food security.

Early morning in 2020 in Baja California, Mexico, a subsistence farming family wakes up to begin the days work. The children go to school in the morning. This family owns their land. They received a microloan that allowed them to get the funds necessary in order to make their farm successful. They now produce enough crops to feed their family and sell it at their local market. Without having to compete with cheapened produce from the United States, local farmers are able to make a profit from their farms. An education center in their village, where the children attend school, offers night classes for adults teaching them about new farming techniques, nutrition, and ways to improve their lives.

With the elimination of NAFTA, Mexico's economy will flourish and the number of those in poverty will decrease. Mexican food security was negatively impacted by a lack of agricultural import tariffs, a stagnant annual per capita growth rate and corruption. The free trade agreement benefitted two countries at the expense of one. Drug trafficking increased. The GDP is low. Farmers are suffering. This is all due, in part, to NAFTA. Eliminating NAFTA does not mean that trade is bad. In fact, trade is very beneficial to any country. In a world where communication is instant and countries are constantly being intertwined, trade is important to maintaining a growing economy. Mexico has the potential to become a place of progress.

George Bernard Shaw said, "Progress is impossible without change, and those who cannot change their minds cannot change anything." Mexico is ready for change. It is ready to join the growth that the rest of Latin America has seen in the past 20 years. On July 22, 2016, President Obama of the United States of

America and President Pena Nieto of Mexico got together for a joint press conference. They discussed ways to continue a strong U.S.-Mexico partnership. Furthermore, they were asked questions about NAFTA and TPP. Mexico has already signed TPP but the question remains on whether the TPP will strengthen and improve NAFTA, or whether it will further damage Mexican economy.

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