



NAFTA and the FTAA: Impact on Mexico's Agriculture Sector

The Trade Impact Review

Over the last several years, the Women's Edge Coalition has become increasingly concerned with how U.S. trade policies affect women and the poor in developing countries. For that reason, the Women's Edge Coalition developed a framework, the *Trade Impact Review* (TIR), to analyze the impacts trade agreements on the poor BEFORE they are signed in order to mitigate negative consequences and build upon positive results.

To demonstrate the value of the TIR, the Women's Edge Coalition conducted a case study to analyze the impact of NAFTA and future impact of the FTAA on Mexico's poor farmers. NAFTA was created with the explicit goal of reducing poverty in Mexico by creating a large, middle income population in the country. However, that goal has not been accomplished - many of Mexico's poor have become poorer. Now NAFTA is the blueprint for the Free Trade Area of the Americas (FTAA), a trade agreement that will cover the entire western hemisphere.

Although a TIR can analyze all sectors affected by trade agreements, the Women's Edge Coalition chose to analyze Mexico's agriculture sector since the majority of Mexico's poor work in this sector.

Un-Biased and Easy to Do

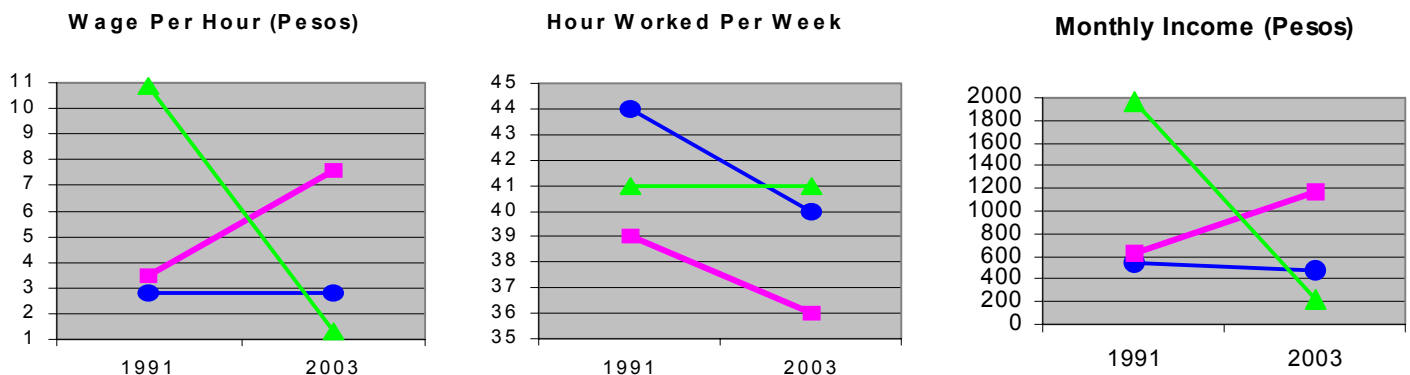
If the U.S. and other governments want trade policies to benefit the poor here and abroad, it is critical to conduct a TIR and it does not require extensive time or resources. With less than \$150,000, the Women's Edge Coalition was able to produce the case study in six months.

The TIR is also designed to be un-biased. For example, although the TIR found that NAFTA had an overall negative effect on Mexico's agricultural sector, especially on corn and bean farmers, several positives were uncovered, including an increase in jobs in the non-traditional agriculture sector, such as flowers.

NAFTA's Impact on Mexico's Agriculture Sector

When NAFTA was being negotiated, 3 million producers, or 40 percent of all Mexicans working in agriculture, were cultivating corn. Mexico's corn producers were hit the hardest by NAFTA. Mexico's borders opened 10 years ahead of schedule to allow cheaper imports of corn and beans from the U.S. and Canada. As a result, small, poor farmers who produced for the local markets were forced to compete with cheaper imports. For those that did not lose their jobs, monthly income for self-employed farmers fell from 1959 pesos a month in 1991 to 228 pesos a month in 2003.

Legend: Farm Worker ● Employer ■ Self-employed farmer ▲



Poverty

With this case study, for the first time, there is a quantifiable, accurate picture of the differences NAFTA had on men versus women. For example, poverty increased by five percent in female headed households since the implementation of NAFTA. In addition, quality of living dropped dramatically; there was a 50 percent decline in the basic goods (such as food, clothing, health, education and housing) that Mexicans could afford to buy between 1990 and 2000, exacerbating poverty issues for women.

Jobs Gained

NAFTA created 5.3 million jobs both in the formal and informal sectors. The TIR uncovered that approximately 36 percent of these jobs were created in the informal sector where workers typically receive no benefits, are not entitled to vacation pay or overtime, and routinely have no contract protections. Many of the women who entered the informal sector were selling food on the streets and this "market" became flooded. Wages went down in this area considerably as a result.

The remaining jobs were created in the formal sector, primarily manufacturing jobs. Women for the most part went to *maquilas*. While these jobs may provide increased autonomy for women, many of these jobs are low-waged, precarious, and exist in difficult working conditions. Simply stated, these types of jobs do not enable women to pull themselves and their families out of poverty. Women work all day in the *maquilas* and then come home to care for the house and their children – they work a total of 18 hours a day.

Moreover, to achieve the same level of income that one farmer received in 1990 prior to NAFTA, three people now have to work to achieve the same level of income— and that is with inflation included. It should also be noted that many of the new jobs created are now going to Asia. For example, an assembly line worker earns U.S. \$.50 to .80 per hour in China. Her counterpart in Mexico gets U.S. \$2.50 to \$3.50.

The jobs created by NAFTA are not long-term, stable jobs.

Jobs Lost

In addition, almost 1.3 million agriculture jobs were lost in Mexico due to NAFTA (1 million men and 300,000 women). The TIR discovered that these jobs were primarily small and subsistence farmers in the rural sector that worked with corn and bean production, in essence the poor. The majority of these farmers have limited education and cannot transfer their skills to the newly created jobs. Essentially, many of these people were "abandoned". In desperation, a great number of men emigrate to the U.S. in search of better jobs, increasing the number of female-headed households. Immigration increased from Mexico from approximately 350,000 per year in 1992 to approximately 500,000 per year in 2002 – 60 percent are undocumented. Data shows that they are coming from the rural agriculture sector. This can be also be correlated to an increase of poverty in female-headed households as they were left with limited job opportunities and households to run without a male bread-winner.

Remittances

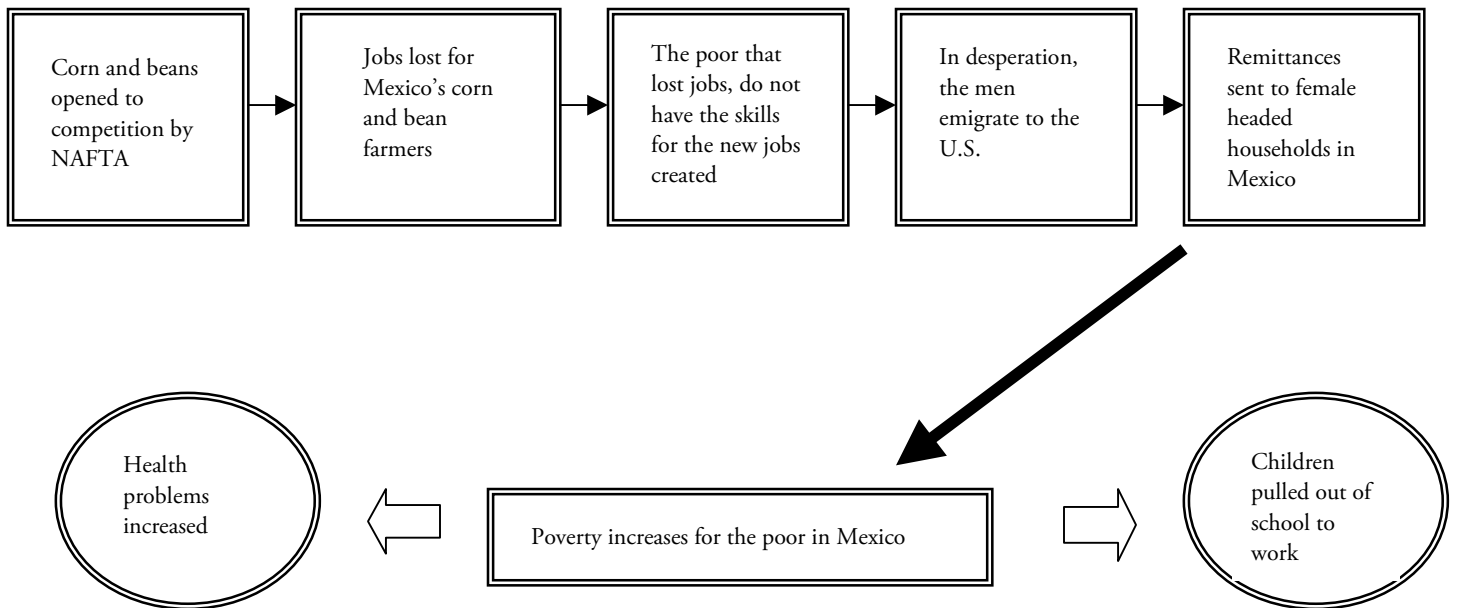
For many of the poor, remittances from the U.S. keep them alive, but barely. Earlier privatization in Mexico caused healthcare costs to increase, so many of the remittances are being spent on healthcare leaving little money for anything else. This is not an effective development strategy and was not the goal of NAFTA.

A TIR would have been able to identify these consequences before they happened and helped policy-makers plan accordingly. Although NAFTA created jobs, the truly poor in Mexico could not access these jobs, and have now become poorer.

Testimony:

"They have really locked us up with NAFTA. NAFTA was the final straw that left all our people without work and all the land idle. We have been invaded by agricultural products from elsewhere—rice from China, corn from the U.S. These products are all much cheaper than we can produce and of far worse quality. We have completely lost our yellow corn—hardly anyone cultivates yellow corn now. But the most powerful effect is that our land is idle and many plots have been completely abandoned in Ayoquezco and much of Oaxaca. The prices have fallen so much that no one can afford to live off the land. You cannot even recover what you have invested—to say nothing of our labor. The drought has also affected us greatly. The net effect is that the *campesino* cannot sew a crop and trust that from that crop his family will be able to eat." *Erasto Díaz, Migrant from Ayoquezco.*

The Path to Poverty



Women and Trade

Currently trade is considered to be gender-neutral, when in fact, trade agreements produce changes which affect men and women differently. Women may be affected differently due to social and cultural discrimination, which limits their access to education, technological training, credit, and land. In addition, women face a sex-segregated labor market; that is, they are not hired for many jobs for which they qualify, may be considered “secondary” wage earners, often earn lower wages than men for the same or similar job, and are usually the last workers hired and the first fired.

The ability to bear children also affects women’s employment in several ways. Women of child-bearing age may be discouraged from seeking certain types of jobs or jobs in certain sectors that are considered inappropriate for pregnant women.

Effects of NAFTA on Women:

- Poverty increased by five percent in female headed households since the implementation of NAFTA.
- Women, more than men, benefited from non-traditional agricultural jobs, gaining 83 percent of the new jobs created in the sector.
- For the same job in the non-traditional agriculture sector, women make 25 to 30 percent less than men. This helps to explain why women gained more jobs in this sector – they are cheaper labor.
- Of women farmers in Mexico, only three percent have more than 10 hectares of land, much less than men. Women make up the poorest of farmers in Mexico.

Forecasting the FTAA's Impact

With the documented effects of the NAFTA on small and subsistence farmers, the TIR generated predictions the FTAA will have for women and the poor in Mexico's agricultural sector:

Competition

The primary challenge the FTAA will create for Mexico's farmers is increased competition with other Latin American and Caribbean countries that will have access to the U.S. market. In addition, Mexico faces growing competition between other Latin American and Caribbean countries for a share of intra-regional trade.

To remain competitive, Mexico will have to increase productivity and efficiency. This will likely increase mechanization of agriculture and further concentration of land held by agribusinesses. Small and subsistence farmers may be forced to sell or abandon their farms or work longer hours to produce more on their land. There is also likely to be an increase in the use of pesticides and other chemical inputs by medium-sized and larger farms.

Overall Job Loss and Gain

If the current trend continues with the FTAA, at BEST, over a five year time period, 350,000 more jobs will be lost in Mexico's agricultural sector and that number could go up to 750,000. By using the TIR, policy makers can either modify a trade agreement so that the poor do not lose their jobs or they can develop U.S. and Mexican assistance programs to help transition the displaced workers to jobs that pay decent, livable wages.

Reasonable Recommendations

Based on the TIR, reasonable policy change can be made. The policy changes below can be implemented for the FTAA and save many additional poor Mexican farmers from losing their livelihoods.

- **Protect small farmers.** The U.S. and Mexico should both seek to protect small farmers from the negative effects of free trade in agriculture. Countries should pursue a variety of ways, such as renegotiating to increase subsidies to Mexican producers of corn and beans; to safeguard Mexico when faced with surges of cheaply imported agricultural products; and an exemption of small farmers who farm under 10 hectares of land or earn below \$50,000 in the U.S. from FTAA agriculture terms.
- **Take into account the needs of female-headed rural households.** Government agricultural programs should ensure that the particular needs of female-headed rural households are taken into account.
- **Develop training programs for displaced workers.** Governments should train displaced workers to cultivate new lucrative crops as well as train them for new, highly paid jobs in burgeoning labor markets. Trainings should take into account women's time constraints and be organized in a way that both men and women can take advantage of the training programs.
- **Address migrant workers.** Migration is an important coping strategy for many poor Mexican families. While migration is included in some discussions of services and investment, the U.S. needs to revisit its immigration policy to ensure that low and high-skilled immigrants are treated equally.
- **Increase investments in education.** Education can serve as a path out of poverty for indigent rural households. Governments should increase their investments in basic and secondary education and develop programs to support poor women and men in achieving higher levels of education.
- **Market niche and fairly-traded products.** Governments should assist small farmers in marketing their products and in promoting fairly-traded products. The U.S. should target some of its development assistance toward promoting fairly traded products and marketing niche products to U.S. consumers and immigrant enclaves in the U.S.



For more information, visit:
www.womensedge.org

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