1 Mexico: a cautionary tale

How international trade affects a whole country. What the North American Free Trade Agreement (NAFTA) was supposed to do for the only Southern country that borders on the United States – and what actually happened. How coffee farmers in Chiapas can tell the difference between ‘free’ and fair trade.

THE AVERAGE MEXICAN is neither desperately poor nor disgustingly rich. That, at any rate, is what the conventional economic measure of ‘Gross National Product per capita’ in Mexico tells you – what the place looks like if you average out its wealth across the population as a whole. The trouble is that wealth in Mexico is not averaged out equally across the population. In 2002 Mexico had the fourth-largest number of dollar billionaires in the world – the 35 richest families controlled as much wealth between them as its 15 million poorest citizens. That, rather than the average, is what makes Mexico characteristic of the world as a whole.

Unfair international trade transfers wealth from relatively poor countries to relatively rich ones. But it also transfers wealth between rich and poor people
within individual countries. Governments of all kinds – local, regional or national; democratic or otherwise – are told that they cannot act to restore some measure of equity or environmental sanity to the process without contravening the laws of free trade, placing themselves beyond the pale of market forces and even the ‘international community’ itself.

Preparing for NAFTA
In September of 1993 I went to Mexico to research a magazine about the country. The Governments of Mexico, the US and Canada were putting the final touches to the North American Free Trade Agreement (NAFTA). It was due to come into effect on 1 January 1994, bringing down most of the remaining trade barriers between the three countries, ostensibly to the benefit of all concerned. With its huge pool of cheap labor, Mexico’s enviable comparative advantage in labor costs would surely now be able to take full effect, and some very rich Mexicans expected to get very much richer as a result.

The official mood in the country was euphoric. The Mexican Government had outspent every other lobbyist in Washington to help see NAFTA through the US Congress, and had begun to believe its own publicity. Mexico was about to defy the geographical imperative, kick the dust of its desert frontier with the US from its shoes and join the North. At the Mexico City headquarters of the PRI (the Institutional Revolutionary Party), which had ruled the country since 1929, spokeswoman Roberta Lajous explained to me just how ambitious their plans were. ‘If I could move the whole of Mexico to Europe I would,’ she said. ‘In fact, it would fit rather neatly into the Mediterranean Sea.’ The aphorism that Mexico is eternally ‘so far from God, so close to the United States’ would lose its relevance. As it turned out, the PRI was also about to lose its grip on political power. Skeptics there were, to
be sure. The economist Ifigenia Martínez of the Party of Democratic Revolution (PRD) told me: ‘It will prove impossible to continue with this rotten system. It is constructed to serve the interests of very, very few people, and it simply cannot continue.’ It was hard to square the PRI gloss with what I had already seen in Ciudad Juárez. This is the Mexican half of a sprawling desert city that straddles the border with the US and becomes El Paso, Texas, on the other side of the Rio Grande. Ciudad Juárez has mushroomed around its export-processing *maquiladoras* – the cheap-labor, export-only assembly sheds run by big-brand corporations that were the focus of all those official hopes for a bright future in Mexico City. I managed, with some difficulty and the help of a local collective of prostitutes, to get into a *maquila* making television sets for the giant Dutch electronics corporation, Philips.

**Inside a maquila**

‘You enter a spotless cavern housing two writhing conveyor belts,’ I wrote at the time, ‘queen insects tended by straight lines of rigid young women in colored bibs, perhaps a hundred seated down either side of each monstrous beast, fed with components at one end and churning out cardboard boxes like square eggs filled with TVs at the other... This is work that almost anyone can do and no-one with any real choice in the matter really wants... No-one lingers here. There is no human contact, no conversation. A canteen serving food during the break is deserted – two died recently of poisoning after eating in a maquila canteen down the road. We manage to talk to some of the women before their shift starts: mere children, they seem, in their bibs. Some of them are. Others are on the verge of tears. “I sleep and I work. I can do nothing else,” one of them says. For this they are paid $30 a week and are not allowed to complain... Their young lives are scarred: materially, emotionally, physically
and permanently. This is crude and scandalous exploitation. No amount of globaloney can obscure it.’

**Resistance grows**

Much the same impression was inescapable if you talked to any of the myriad citizens’ groups or trade unions in Mexico City – then the largest city in the world, and one of the most polluted. The Zócalo, the immense central square, was filled with wood smoke from the encampments of squatters from all over the country seeking to petition the President, whose official palace formed one side of the square – a metaphor for the condition of formal politics in Mexico at the time, since the President was rarely there.

The impression that all was not exactly as the advocates of NAFTA would have it grew stronger the further south I traveled. I eventually reached Chiapas, dubbed by people in Mexico City as the ‘crazy’ state – the majority indigenous population make it more akin to neighboring Guatemala than to the rest of Mexico. On 15 September, Independence Day, I watched the celebrations in the old colonial capital, San Cristóbal de las Casas, high in the Chiapas mountains. The entertainers for the public show were all imported by the local political élite from elsewhere in the country. On the hillsides around the city, wood fires twinkled like stars pinpointing where communities of indigenous people looked down – or perhaps turned their backs – on the festivities in the valley below.

Just a third of the Mexican population, some 30 million people, still made their living from the land. But that was more than had lived in the entire country just 50 years earlier. Mexico could not feed itself. The answer, according to the Harvard Business School graduates in Mexico City, lay with comparative advantage: sell tropical fruit to the Americans and buy cheap maize back. At the price of subsidized, imported US maize, however, none of the eight million small
farmers in Mexico whose lives and cultures depended upon cultivating it could possibly survive. They would have to move to the cities and offer themselves up for work in the maquilas, just as required.

‘Here the “modern” way of industrial agriculture is not appropriate,’ José Juarez Varela told me, in his office in Las Margaritas, near the Guatemalan border. He worked for the Union de Ejidos de la Selva (the Union of Rural Collectives in the Forest). ‘We have no infrastructure, roads, communications, technical services, and the urban markets are a long way away. The land is extremely delicate and mountainous, unsuitable for machinery. Even agricultural reform [following the revolution that began in 1910] arrived here late. It wasn’t until the 1950s that people started leaving the fincas, the great private estates, freeing themselves from debt-bondage and setting up ejidos, collective farms. They began to move into the forest and to grow whatever they were used to growing; bananas, maize, coffee.’

New markets
The ejidos joined together to form a Union. ‘We learned a lot and we had a good time,’ said José, ‘but we weren’t making a living.’ The Union went through a crisis. Some felt like giving up. José and a small group toured the country in search of fresh ideas. In Oaxaca, the neighboring state to the north, they met up with a group of farmers who were producing coffee for the Max Havelaar fair-trade label in the Netherlands.

On their return they decided to develop coffee production for niche export markets, including Max Havelaar. This meant a very different relationship with coffee buyers, cutting out the coyote middlemen and obtaining a guaranteed minimum price in exchange for guaranteed quality. The Union bought an old cotton warehouse and converted it into a coffee storage and grading plant. Most of its production still went onto
Cheap labor and the *maquiladoras*

From the mid-1960s onwards in Mexico – as in many other Central American countries – a new craze began for ‘export-processing’ assembly factories. Designated areas could operate outside the normal mass of regulations, importing raw materials or parts and exporting the product to the US. The proliferation of such factories around the world was one of the motive forces behind globalization. Most of the factories are either directly owned by transnational corporations or contracted to supply them. Much of the trade is between different parts of the same corporation.

Employment in such plants in Mexico, originally located for convenience on the border with the US, increased rapidly to nearly half a million by 1992 and nearer three million shortly thereafter. Over the years the maquilas have spread away from the US border and begun to recruit from Mexico’s large indigenous population in the central highlands. The biggest single sector is transport (mostly automobiles), followed by electronics and textiles.

The main reason for establishing these factories was, of course, the cheap labor they could employ. Crude assembly work requires manual dexterity and minimal education – young women were considered particularly well-suited to this kind of work, provided they didn’t get pregnant. Organized labor was invariably banned. Many workers in the US complained about the impact on their own wage levels and employment of these ‘runaway’ jobs.

The justification for them was that they increased employment for millions of Mexicans who were desperately in need of it. If working conditions were often very bad, they would improve with time.

In fact, wage levels in the maquilas – as in Mexico as a whole – fell relentlessly as the numbers employed in them rose, particularly following economic crises like the one in 1982, which was to prove the model for subsequent ‘structural adjustment’ policies around the world. ■

**Hourly cost of labor and growth of employment in the early years of Mexican maquiladoras**

*Maquila workers (in thousands) --- Average hourly labor costs in Maquilas*

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the ordinary commercial market, but after the collapse of world coffee prices in 1989 fair trade kept the Union alive. When I visited, it had just begun production for Twin Trading and Cafédirect in Britain, and for some specialist coffee traders in the US.

**Down on the coffee farm**
The following day we drove for three hours along broken roads to Cruz del Rosario, the nearest coffee-producing *ejido*. We had to announce our arrival at some distance from the village by sounding the truck horn three times – a reminder of growing tension and that intruders here were not always well-intentioned. We were greeted by a group of *ejidatarios* and eventually descended to the tropical forest in the valley below, where coffee bushes grew under the shade of forest trees. The ground was precipitous and had to be terraced. Rocks and boulders had to be shifted by hand. The farmers were moving to organic production which meant that no pesticides could be used to fend off disease – and no chemical fertilizers either. Compost was laboriously prepared from animal droppings and leaf-mould.

I wondered whether all this additional labor, even for a better price, really paid off. ‘We are doing it for future generations,’ replied Cirilo, who was taking me round.

This was the first time I had encountered fair trade on the ground in the South. I said to them that I would write about their work and perhaps, just perhaps, a few more people would buy their coffee in the North – not all of us were of one mind with the corporate agenda. I had no doubt at all that what Max Havelaar and Twin Trading were doing there was important. The Union felt it had a real status of partnership. Without fair trade, small as it was, these people’s lives would have been very much more difficult.

On 1 January 1994, deliberately timed to coincide
NAFTA, FTAA and all that

A North American Free Trade Agreement (NAFTA) between the US, Canada and Mexico was proposed by a meeting in San Antonio, Texas, in June 1991. It formed part of a series of regional free-trade agreements throughout North and South America – excluding only Cuba – that are intended to create a Free Trade Area of the Americas (FTAA). A summit in Quebec in April 2001 was called to set the agenda for the FTAA – and was met with massive protests. Resistance to it has grown across the continent. The summit in Mar del Plata, Argentina, in November 2005 failed to endorse the FTAA as the US Government, and some Latin American governments, had wanted.

NAFTA – which gives an indication of what the FTAA might eventually look like, if it is ever agreed – finally came into effect on 1 January 1994. It makes rules to remove ‘distortions’ and resolve trade disputes. It covers six broad areas:

- **Market access**: Average tariffs between Mexico, Canada and the US were already low, but high tariff barriers remained in the US and Canada against Mexican exports.
- **Trade in services**: Deregulation of a broad range of commercial services, including finance and transport.
- **Foreign investment**: Prefiguring later, abandoned proposals for a Multilateral Agreement on Investment (MAI), NAFTA provides for ‘national treatment’ for all foreign investors.
- **Intellectual property**: Primarily a means of ensuring that patents held by corporations in the US or Canada are enforced in Mexico.
- **Dispute settlement**: This area was the most contentious, including the use of punitive sanctions and fines.

Virtually all the important concessions, on investment, intellectual property and services, were made by Mexico.

with the signing of NAFTA, an uprising would begin in Chiapas that continues to this day. It has become what the great Uruguayan writer Eduardo Galeano – a regular visitor – has styled ‘the biggest siege in the world’. Once again, in Mexico City the people of Chiapas were derided, this time for seeking to make any connection at all between their obscure local difficulties and the grand designs of NAFTA.

A year or so later I came across José Juárez Varela from the Las Margaritas union office once again, this time in London. They had, he said, experienced an extremely difficult time; the uprising meant that they
had lost one year’s coffee harvest – a catastrophe. The Union had set up its own Café La Selva in a smart neighborhood of Mexico City, to sell their coffee and increase public awareness of their work. Fair and organic trade were even more important to them now, since their partners in the North had helped to keep them going through the disruption of the uprising and constant harassment by the Mexican military.

As for Mexico, within a year the country had been struck by a financial earthquake. An austerity program was imposed, destroying savings, cutting wages or throwing people out of work – so that Mexican banks could be bailed out of their misbegotten, NAFTA-related adventures. No such dispensation was offered to many thousands of small farmers who had taken the latest advice from the high priests of comparative advantage and borrowed heavily to invest in agricultural production for world markets.

Ciudad Juárez, for its part, is now notorious for industrial-scale criminal warfare of a quite shocking brutality, much of it directed against women. Which reminds me – Carlos Salinas, that elusive Harvard-educated President who knew so very well what was best for Mexico, who signed the NAFTA treaty but was never in his palace in the Zócalo, now lives in exile and disgrace. His brother was assassinated, but no doubt Salinas himself still has his hands on the fortune he made from oiling the works of the narcotics business. As for the PRI, it was finally ousted in the presidential elections of 2000 – by a former executive of Coca-Cola. Judge free trade by its results in Mexico and this is just about as good as it gets.