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NAFTA's Impact on Mexico

In 1994, the North American Free Trade Agreement (NAFTA) came into effect between Mexico, Canada and the U.S. The Sierra Club opposed NAFTA at the time because we were concerned that the environmental provisions in the agreement would not adequately protect the environment or the health of our families and communities. Fifteen years later, NAFTA has created a legacy where corporate profits are promoted at the expense of environmental safeguards, health protections, and workers' rights. While NAFTA's impacts have been felt in all three countries, Mexico has been most negatively affected.

Increased Pollution and Decreased Wages

NAFTA was initially publicized as the best way to bring economic development – as well as environmental improvement – to Mexico. Neither of these promises have come true.

Under NAFTA, the vast majority of investments into Mexico were in maquiladora factories: export-oriented manufacturing and assembly plants that return profits to the U.S. and other investor-based countries and do not promote direct economic development within Mexico. Over 2700 maquiladoras were constructed along the already environmentally-strained and overpopulated border region between Mexico and the United States.[1] The overcrowded cities and towns associated with these maquiladoras continually struggle to meet basic sewage and waste disposal needs, resulting in a hepatitis A infection rate more than double the Mexican average.[2] The increase in trade has also meant an increase in traffic and the accompanying air pollution. In the border town of Ciudad Juarez, between 1997 and 2001, over 36,000 children were rushed to emergency rooms due to breathing problems. This high level of air pollution was also shown to contribute significantly to deaths among children under age 5. [3]

Toxins created by the maquiladora factories are leaking into the land and water at alarming rates. According to Mexican government figures, the cost of NAFTA-related environmental damage in 1999 alone was an estimated $47 billion. It is likely that annual pollution damages from 1989 to 1999 exceeded $36 billion per year. This damage dwarfs the value of economic growth from trade, which was only $14 billion per year. [4]

Despite an anticipated rise in pollution levels, NAFTA did nothing to strengthen Mexico's environmental protections. In fact, enforcement of environmental protections declined noticeably after NAFTA, and is often ignored by both corporations and the Mexican government. For example: While Mexican law requires that hazardous waste created by foreign-owned factories in the maquila zone be shipped back to the country of origin for treatment, only 12% of 8 million tons of hazardous waste receives adequate treatment, and only 30% is returned to the country of origin.[5] Total environmental inspections plummeted by 45% after 1993, and inspections in the maquila zone decreased by 37%.[6] In a recent survey of maquiladora managers, 45% said that they were dissatisfied with the availability of environmental training and 50 to 70% of respondents indicated that they were not rewarded or given financial incentives for environmental improvement, demonstrating the lack of importance given to environmental protection among corporations operating in the maquiladora sector. [7] Although spending on environmental protection in Mexico grew between 1988 and 1993, it fell by nearly half between 1994 and 1999. The cost of environmental damage has averaged 10% of the Mexican GDP since 1999, equivalent to $64.7 billion dollars in 2004, whereas spending for environmental protection amounted to 0.6% of GDP, or 4.1 million dollars. Investment in environmental protection would need to be 14.6 times greater to keep up with the level of degradation and natural resource destruction.[8]

For workers in Mexico's manufacturing sector, NAFTA did not improve working and living conditions. Wages and purchasing power have fallen for most Mexicans over the past fifteen years. The average manufacturing worker earns only 28.6% of what a family of four needs to cover basic necessities - a violation of the Mexican constitution that guarantees a living wage. [9] In fact, 75% of the Mexican population lived in poverty in 2001 compared to 49% in 1981, before Mexico underwent reforms to pave the way for NAFTA. [10] Insufficient wage rates and harsh working conditions are common in the maquiladora sector, in order to continue attracting foreign investment to the region. Despite these efforts to keep labor costs low, maquiladoras have been on the decline since 2000, with 529 maquiladoras shutting down between 2000 and 2002, as corporations shift their operations to places like, Taiwan, Central America and China, where wages are four times lower. [11]

Devastating Mexico's Rural Peasants

Prior to NAFTA, small plots of land were permanently deeded to Mexico's peasant farmers. In preparation for NAFTA, Mexico was required to change its constitution to allow foreign ownership of this land and allowed these plots to be sold or seized by creditors. In addition, NAFTA opened the door for the dumping of large amounts of subsidized U.S. agricultural goods on the Mexican market – lowering prices and endangering the livelihood of peasant farmers. For example: Corn is the primary crop in Mexico, but post-NAFTA farmers received 70% less for their harvests because U.S. corn imports into Mexico more than quadrupled since 1993.[12] Unable to compete with U.S. prices and with no employment prospects in their rural communities, more than 2 million Mexican farmers have been forced off their land since NAFTA was enacted. These disenfranchised farmers have migrated to the already overcrowded and heavily polluted cities and manufacturing zones of Mexico, worsening existing environmental and health conditions. It is estimated that NAFTA created only 700,000 manufacturing jobs in Mexico - far too few to absorb the 2 million displaced farmers and the 130,000 jobs lost in domestic manufacturing due to the replacement of formerly domestically produced goods by imports.[13] Mexican farmers have called for a suspension of NAFTA tariff reductions, and a re-negotiation of NAFTA's agriculture provisions, but to no avail. With no employment prospects and worsening living conditions, many farmers believe their only option to earn a living is to attempt the perilous crossing into the United States.

Impacts on Mexico's Natural Resources

The weakening of environmental standards by NAFTA has also caused the increased use of chemical intensive production methods in Mexico's large commercial farms. These methods include the use of harmful pesticides and fertilizers that pollute land and water resources. Specifically, they contribute to high soil salinity, ground-level ozone, lake and river acidification, and the disruption of natural forest processes.[14]

The change in land ownership and the more export oriented farming system in Mexico have also led to a dramatic loss of forests and the unique biodiversity they sustain. Peasant farmers who were driven off their lands were forced to clear forestland for farming and fuel. Since the implementation of NAFTA the annual rate of deforestation in Mexico has risen to 1.1 million hectares – practically doubling the prior rate of 600 thousand hectares.[15] This places Mexico second behind Brazil in the rate of deforestation.

Corporate Rights over People and the Environment

One of the most controversial aspects of NAFTA is found in Chapter 11 - its investor rights chapter. Under Chapter 11, foreign investors who believe their profits are being harmed by environmental or public health regulations can sue governments for cash damages within a secretive trade tribunal system. This occurred when Mexico was sued by the U.S. Metalclad Corporation, a waste-disposal company. Metalclad accused the Mexican government of violating Chapter 11 of NAFTA when the state of San Luis Potosi refused permission to re-open a waste disposal facility. The State Governor ordered the site closed down after a geological audit showed the facility would contaminate the local water supply. The Governor then declared the site part of a 600,000 acre ecological zone. Metalclad claimed that this constituted an act of expropriation and sought millions in compensation. The company won and was awarded $16.5 million (plus interest) from Mexico.

We can do better!

The solution is not to build fences between our borders and criminalize people who are forced to make desperate choices. Trade agreements should promote a higher quality of life for all, not simply serve as vehicles to increase corporate profits. Trade done right can help lift living standards while also protecting our precious natural resources. Contact your Member of Congress and tell them that the flawed NAFTA model should not be expanded and that our agreements must contain meaningful and binding environmental safeguards.

For more information on the Responsible Trade Campaign contact *responsible.trade@sierraclub.org* or visit *www.sierraclub.org/trade*.

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