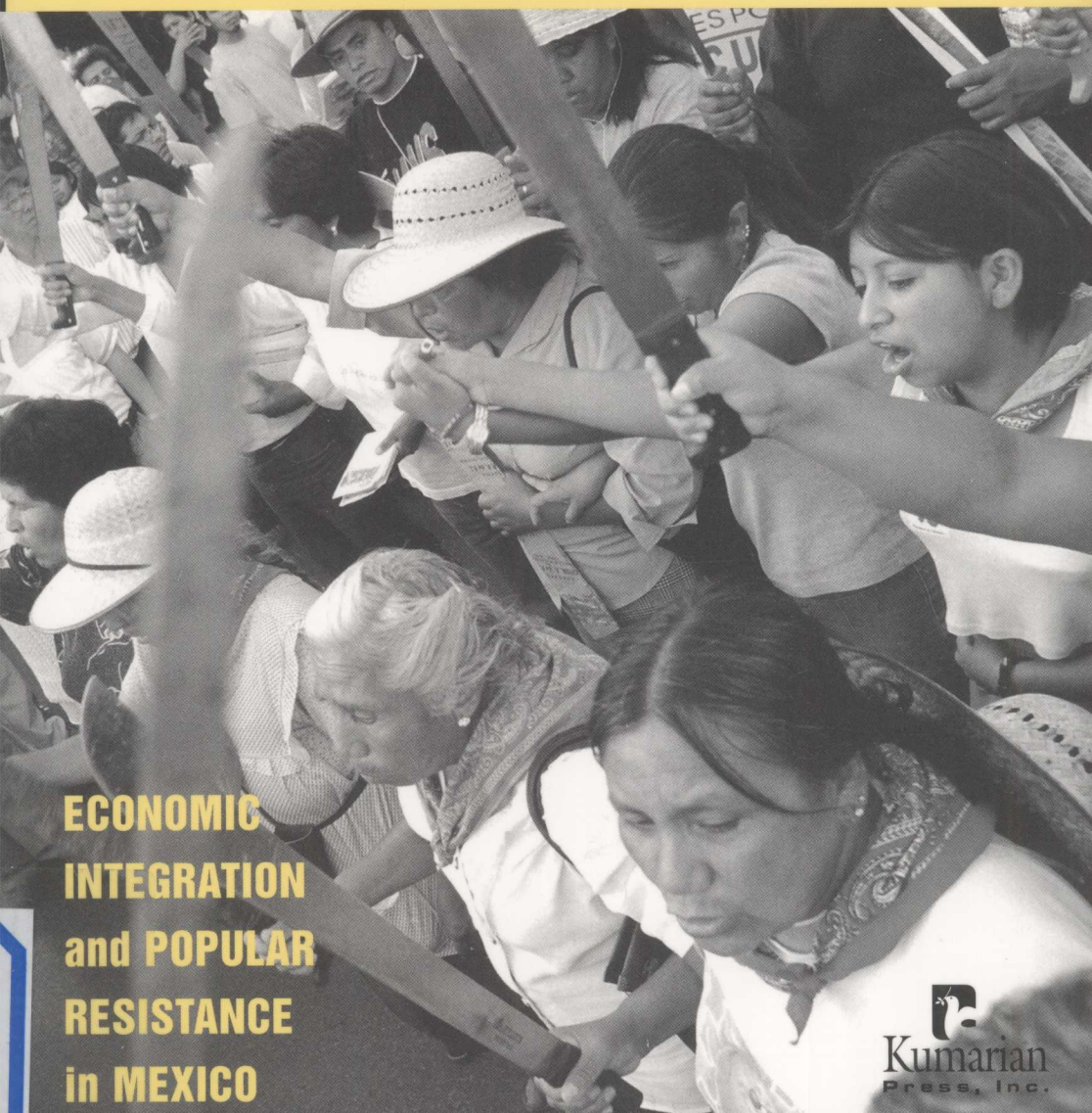


# CONFRONTING GLOBALIZATION

*Edited by Timothy A. Wise, Hilda Salazar and Laura Carlsen*



**ECONOMIC  
INTEGRATION  
and POPULAR  
RESISTANCE  
in MEXICO**

  
**Kumarian**  
Press, Inc.

# Confronting Globalization

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## Economic Integration and Popular Resistance in Mexico

Editors

Timothy A. Wise

Hilda Salazar

Laura Carlsen

  
**Kumarian**  
Press, Inc.

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# Foreword

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Jonathan Fox

*"The concept of globalization has hit hard. Right in the face. The system no longer hides what's behind it. It openly says 'I'll take your land and exploit you' . . ."*

—Ignacio del Valle, leader of the Atenco community protests against the proposed new Mexico City airport.<sup>1</sup>

The Mexican-U.S. integration process, with its intense flows of capital, commodities, cultures and communities, is a paradigm case for understanding the globalization process. The Mexican experience shows that trade openings are inextricably linked to broader patterns of social, economic, political, and cultural exclusion—both in the popular imagination and at the commanding heights of the ruling political classes. To assess globalization's winners and losers, we need to take into account the breadth and depth of the Mexican experience with international economic integration.

## Why Mexico?

Seen from above, the North American Free Trade Agreement led the way for world-wide acceleration of global economic integration between the North and South that followed. The NAFTA experience is directly informing the ongoing negotiations for new trade agreements, both in the hemisphere and specifically with Central America. For example, NAFTA's little-known but powerful Chapter 11, its "investors' bill of rights" that

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<sup>1</sup>Quoted in Maria Rivera, "La lucha no se gana con consignas sino con razones, afirma el dirigente Ignacio del Valle." *La Jornada*, 17 July 2002.



trumps national social and environmental laws, is already embedded in early drafts of the proposed Free Trade Area of the Americas.

Seen from below, Mexico's Zapatista rebels fired the proverbial shot heard 'round the world that opened the current cycle of protest against top-down globalization. Their widely-echoed charge that NAFTA spelled a "death sentence" for Mexico's indigenous peoples became a vivid emblem of grassroots struggles against top-down globalization. The rebellion's inclusionary discourse and multimedia-savvy strategy resonated with a wide range of other campaigns for social justice around the world, energizing the emerging concept of globalization from below. Within Mexico, the rebels showed that history still matters and contributed directly to the national democratization process. They revealed that Mexico's neoliberal emperor had no clothes. This is the pattern of Mexican resistance that is best known abroad.

At the same time, *most* Mexicans who challenge top-down globalization follow quite different paths. These grassroots movements often sympathize with the Zapatistas' radical democratic challenge, but they follow strategies that emerge from their own political histories and use tactics that respond to their own specific opportunities and constraints. The chapters that follow show the range of these initiatives, from discreet worker-by-worker organizing for dignity on the shop floor to combined legal, media, and protest campaigns for environmental justice. These cases also help to put cross-border organizing in context, showing that for most grassroots responses to economic integration, transnational coalition-building is just one dimension of political strategies that remain primarily local and national in focus.

Some of these initiatives focus on direct resistance, as in the case of protests against toxic waste dumps. Others try to buffer the process, as in the case of the fight for *maquila* workers' rights. Yet others try to find and expand niches within the globalization process—for example, by building economically viable and sustainable timber cooperatives, or creating new people-to-people "philanthropy from below" in the form of migrant hometown associations. The diverse cases documented here share a common thread, however: they are all stories of people in action, defending themselves, and creating alternatives. Read on to find out more about the multiple meanings of resistance in Mexico today.

### Disentangling Winners and Losers

This book differs from most of the literature on Mexican economic integration. The NAFTA debate witnessed a huge battle of the studies. Each

side in the debate combined volumes of data with strategic sound bites, thanks in part to the interest groups and private foundations across the spectrum that invested in advocacy research. Some kinds of research counted more than others, though, because the media gave the most credibility to the conventional macroeconomic modeling methods that dominate the U.S. economics profession. These models deployed sophisticated economic techniques, but their results were often determined primarily by their basic starting assumptions, such as how many jobs in Mexican corn production would be displaced by increased imports from the United States—if jobs in corn production were taken into account at all.

Critics fired back with case studies of specific sectors, vivid images of toxic waste and deformed babies at the border, as well as journalistic profiles of individual workers whose jobs had moved to Mexico. The NAFTA opposition certainly had its own contingent of expert specialists, but the dominant frame of the debate was quite lop-sided between expert and local knowledges. Now, after almost a decade of NAFTA in action, both alternative experts and the strategists behind local alternatives are on stronger intellectual ground, based on a sustained track record of practice. Their real world experience gives the new research that follows a powerful comparative advantage—these authors know better than armchair policy analysts what economic integration has meant to specific social actors, in specific sectors, in specific places.

What happened after NAFTA went into effect? Investors kept investing, leading to more but not better *maquila* jobs. Migrants kept migrating, continuing to seek a better life on the border and points north. But what about questions on jobs and the environment that dominated the public and research debates a decade ago? Curiously, the level of research attention to Mexico-U.S. economic integration dropped off significantly once the NAFTA vote was over. Few studies follow up on the many conflicting predictions to see which ones actually held up, though much of the available literature agrees that economic integration has fallen short of its promises.

### Causal Stories

When assessing winners and losers from economic integration, the central insight to keep in mind is not to look for answers in terms of countries—whether Mexico, Canada, or the United States benefited. Instead, one must look at specific sectors, regions, social classes, groups of workers, and natural resources as well as visions of alternative futures. Does NAFTA make alternative futures more or less viable? The answers depend on whom one

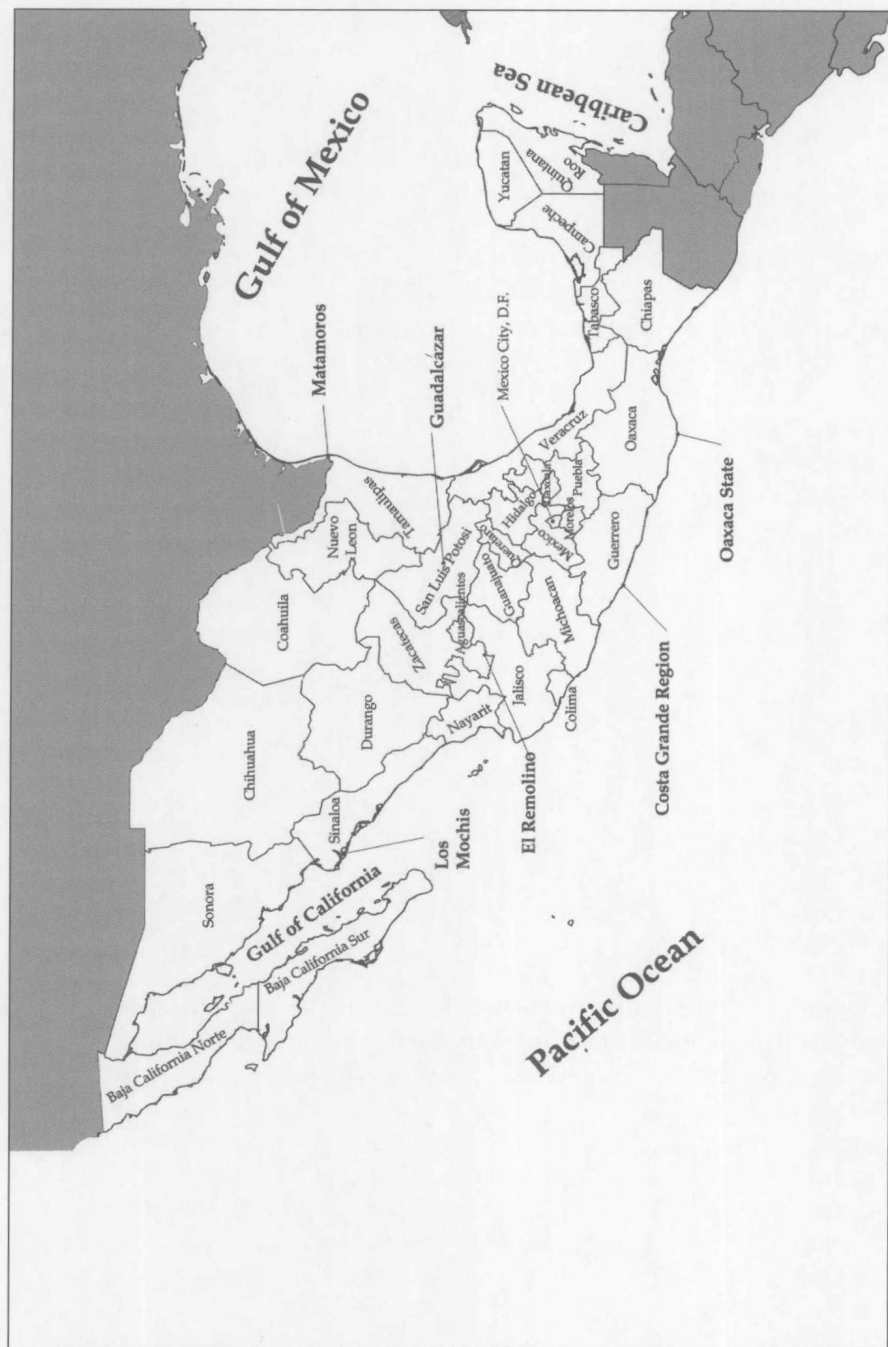


asks. As one of the leaders of the resistance to Mexico City's proposed new airport suggests, globalization unmask the system, which in turn can embolden and empower resistance by revealing both allies and opponents. At the same time, globalization sometimes poses a challenge by blurring the picture of who is doing what to whom. Local *maquila* managers or crop buyers can blame anonymous international market forces; international financial authorities can blame national policymakers for not following all their prescriptions; environmental regulators can pass the buck while national policymakers can sidestep critics by pointing their finger at supposedly all-powerful international agencies.

How are grassroots actors supposed to figure out where to invest their limited political capital and how to target their campaigns? Activist Mimi Kech's idea of "causal stories" play a key role—accessible narratives that synthesize both the perpetrators and possible pathways to solutions. In the cases that follow here, for example, are several examples of campaigns that embody such causal stories. They include both campaigns to *block* deeper economic integration by the *campesino-ecologista* forest defenders and bioprospecting critics and efforts to *transform* the terms of integration into international markets, like the creative campaigns of Mexico's many indigenous coffee cooperatives. Case studies of grassroots initiatives can play a key role by helping to demystify and explain broader processes, by highlighting the potential power of agency in the face of seemingly all-powerful pressures, and by pinpointing how to most effectively channel anger and advocacy to specific targets or pressure points.

Clearly, there has been increased social polarization within Mexico between those included in and excluded from the dominant economic model. At the same time, significant islands of change and resistance survive. But how large are they? How resilient will they be? Will they be able to grow, spread and form interconnected archipelagos? Will the islands of alternatives be able to join forces and constitute new political counterweights that could affect the national balance of power? Will the two main paths of resistance—protest and proposals for alternatives—manage to reinforce each other?

To sum up, when it comes to grassroots responses to economic integration, we still don't know much about what works and why—just that we should be wary of one-size-fits-all approaches. That is why it is so important to have serious empirical research on the actors themselves, and why this book makes such an important contribution to answering these questions.



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# 1

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## Introduction Globalization and Popular Resistance in Mexico

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*Timothy A. Wise, Hilda Salazar, & Laura Carlsen*

IN 1990, WHEN PRESIDENTS GEORGE BUSH AND CARLOS SALINAS DE GORTARI opened the first negotiations to widen the Free Trade Agreement between the United States and Canada to include Mexico, civil society organizations began a long process of assessing the agreement's promised benefits for Mexico. The advocates of economic integration promised that with the new North American Free Trade Agreement (NAFTA), Mexico would enter the First World. This would be achieved by using the country's comparative advantages in the international market, attracting foreign investment, and using global competition to stimulate improvements in national production. All this, they argued, would improve the well-being of the vast majority of the Mexican population.

From the beginning, many Mexican organizations doubted such claims. Their skepticism came from nearly a decade of experience with free trade. Opening the Mexican economy began not with NAFTA in 1994, but with the external debt crisis in 1982. It accelerated with Mexico's entry into the General Agreement on Tariffs and Trade (GATT) in 1986, and had already had disastrous consequences in strategic sectors such as agriculture and small and medium-sized industry. For Mexico, international competition with much more powerful U.S. firms seemed to promote a "race to the bottom" in which Mexican society saw its labor, environmental, and agrarian rights eroded. An emerging coalition of social organizations, citizen groups, and researchers feared that NAFTA would only worsen these problems.

These groups were also suspicious of the narrow free-trade perspective shared by U.S. and Mexican leaders, who asserted that the continental trade accord should not deal with environmental protection, labor issues, and equity. In fact, during the formal negotiations (June 12, 1991 until August 12, 1992), these aspects were largely ignored. Meanwhile, networks of environmental groups, *campesino* and women's organizations, labor unions, and academics lobbied to move the "social agenda" into the center of the discussion. They insisted that labor, environment, migration, human rights, and food security—among other issues—should form part of any trade agreement among nations.

For Mexico, NAFTA was, in effect, the icing on the cake of economic integration. Since Mexico's entry into GATT, every Mexican administration has implemented policies to facilitate foreign investment, liberalize trade, and reduce the regulatory intervention of the state, adhering closely to the austerity and adjustment programs dictated by the World Bank and the International Monetary Fund. At present, Mexico has signed more free trade agreements with other nations than any country in the world, and at this writing, it is playing a central role in promoting the Free Trade Area of the Americas (FTAA), a NAFTA for the hemisphere that the United States hopes to negotiate by 2005.

NAFTA formalized the terms of economic integration in Mexico. With its content and scope, NAFTA was more than just a trade opening, transcending the mere reduction of tariffs and customs duties that had begun well before the signing of the agreement. NAFTA established the rules for transnational corporations to locate production and market their goods and services in Mexico, taking advantage of the country's comparative advantages: low salaries, abundant natural resources, weak or unenforced environmental laws, favorable tax structures, and infrastructure. The agreement also guaranteed U.S. companies' technology advantage through its strict intellectual property rules. NAFTA was designed to make Mexico even more attractive for foreign investment.

### **Economic Integration in Mexico: What Happened to the Promises?**

The defenders of NAFTA may still praise Mexico as the most outstanding example of the neoliberal model, but the evidence hardly warrants such glowing assertions. Now, after eight years of NAFTA and more than fifteen years of neoliberal policies, it is possible to go beyond the ideological



debates that raged over the agreement's prospective impacts. We can now hold NAFTA's promises—and those of free trade in general—up to the harsh light of economic and social reality. While free-trade advocates still point to a small number of macroeconomic indicators, few can deny that for the vast majority of Mexicans, life has gotten more difficult.<sup>1</sup>

The promise of sustained growth came crashing down the first year NAFTA went into effect, when Mexico was forced to devalue its currency in December 1994, prompting the country's worst economic crisis in decades. The so-called "December mistake" led to an economic contraction of 6.2 percent in 1995.<sup>2</sup> While the country was able to recover slowly from this blow, in the overall period of neoliberal policies, from 1982 until 2000, the Gross Domestic Product (GDP) grew only 0.48 percent per capita annually, in real terms.<sup>3</sup> In 2001, growth again turned negative, falling 0.3 percent, according to Mexican government figures.

Mexico's relative underdevelopment and widespread poverty were barely considered in NAFTA, and few mechanisms were put in place to compensate for them. The economic and social disparities have only become wider since the agreement. After almost two decades of adjustment to the neoliberal model, the toll on Mexico's poor and middle classes has been devastating. Between 1984 and 1996, the percentage of the population living in poverty grew from fifty-nine percent to eighty percent, with almost half living in extreme poverty.<sup>4</sup> In rural Mexico, eighty-two percent of the population currently lives in poverty; fifty-five percent lives in extreme poverty.<sup>5</sup>

While most have gotten poorer, the richest have gotten richer. In Mexico, the richest ten percent of the population receives forty-two percent of total national income, while the poorest forty percent receives just over eleven percent. Since 1984, the richest tenth of the population has increased its share of national income by 4.1 percent.<sup>6</sup> NAFTA has created enormous wealth for the rich; there are Mexican businessmen near the top of *Forbes'* list of the wealthiest individuals on earth.

Falling wages are the main reason poverty rates have increased so sharply. Since 1982, the minimum wage has dropped more than sixty percent in real terms. Since NAFTA went into effect, the minimum wage has lost twenty-three percent of its buying power.<sup>7</sup> Contractual wages have also declined, losing fifty-five percent of their buying power from 1987 to 1999. From their highest point in 1977, contractual wages have lost nearly three-quarters of their value.<sup>8</sup> In the manufacturing sector, workers now earn twelve percent less than in 1994; in the first two years of NAFTA they lost twenty-five percent of their buying power.<sup>9</sup>

The neoliberal model has also failed to generate sufficient employment. Since 1993, 6.2 million jobs were created while the labor force grew by more than ten million, leaving almost four million people without employment. The manufacturing sector, one of the few sectors to show significant growth, has not been a source of job creation. From 1993 to 2000, the sector showed a net loss of 0.3 percent of employment, despite productivity growth of forty-five percent. Of those who are employed, more than sixty percent do not have any of the benefits mandated by law (social security, Christmas bonus, vacation).<sup>10</sup> Some ten million Mexicans currently work in the informal sector, most doing so not by choice but for lack of formal employment.<sup>11</sup> The situation has worsened with the recession in the U.S. economy.

Rural Mexico is in deep crisis, due to rising imports and falling international prices for agricultural products. Corn and coffee, two key products for Mexican agriculture, have lost twenty-seven percent and fifty-eight percent of their value, respectively, since 1994. National policies have failed to promote the recovery and development of the sector, instead abandoning farmers, particularly small-scale farmers, to the global market. The decline in rural production has had strong repercussions for food sovereignty: food dependence grew fifty percent in the last ten years, with a food deficit of 10.4 million tons.<sup>12</sup>

The rural crisis, together with the lack of jobs, has helped create a wave of migration to the urban centers of Mexico and to the United States. In striking contrast to the promises of the neoliberal model, these policies have greatly stimulated the flow of migrants. According to official data, the number of Mexicans leaving for the United States each year grew from 27,000 in the 1960s to 140,000 in the 1970s. In the 1980s the figure rose to 235,000, and by the first half of the 1990s, to 275,000. It is estimated that one-tenth of Mexicans now live in the United States.<sup>13</sup> Ironically, these refugees of economic integration—arguably one of free trade's most dramatic cross-border flows—were not included in the NAFTA negotiations, the United States having rejected from the outset all proposals to discuss the liberalization of the North American labor force.<sup>14</sup>

Many researchers predicted an improvement in environmental conditions in the country as a direct result of economic integration.<sup>15</sup> Three arguments were set forth to support this optimism: 1) economic growth would stimulate investment in ecological improvements; 2) international competition would consolidate economies of scale, thus avoiding the pollution produced by small, "dirty" industries; and 3) NAFTA would raise environmental standards among member nations.

Years later, a few isolated cases of these phenomena can be observed, but only as exceptions that confirm the rule. As the case studies in this book illustrate, the environmental record is poor. There has been pressure to reduce environmental standards and relax enforcement in order to attract investment. Areas of rapid industrialization have experienced severe environmental problems, especially on the northern border. Internal migration has caused uncontrolled urban growth, with insufficient infrastructure and services, generating acute problems of urban and rural pollution. And there are growing threats to biodiversity resulting from regional development projects, biotechnology and the new intellectual property rules, monoculture, and the short-term and unsustainable use of natural resources.

According to official figures, between 1988 and 1999, the cost of environmental degradation and the exhaustion of natural resources reached an average annual rate of ten percent of GDP, far outpacing trade-led economic growth rates. In the NAFTA years, government spending to offset pollution or environmental degradation has fallen by nearly fifty percent.<sup>16</sup> Most environmental problems have been exacerbated with the economic opening. For example, the Institute of Statistics, Geography and Information (INEGI) calculates that since 1988, the annual indices of soil erosion, solid waste generation, and air pollution have increased by a combined average of sixty-three percent.<sup>17</sup>

Despite its rhetorical homage to sustainable development, NAFTA contains terms that contradict and impede the objectives of environmental improvement. It severely limits the state's power to regulate the activity of transnational corporations that operate in national territory. It fosters the exploitation of natural resources and reorients the economy toward dependence on foreign investment, which is free of responsibility for the huge social and environmental costs it imposes. Like the labor side agreement, the environmental side agreement has proven inadequate for the daunting task of addressing the ecological damage from NAFTA.<sup>18</sup>

In sum, the promises of generalized economic growth, employment, infrastructure modernization, efficiency, environmental improvement, and higher salaries have largely evaporated. In contrast, for the great majority of Mexicans, the economic integration of the past fifteen years has left them in more precarious situations, and with little hope for improvement.

These problems are the direct result of the neoliberal model. Many Mexicans now resist the further imposition of neoliberal policies by their government, and they are actively seeking alternatives. It is precisely in this popular resistance that the path to a better future can be found.