Comité Fronterizo de Obrer@s CFO

For the labor rights and all human rights of the maquiladora workers

NAFTA's social, economic consequences brought extremes

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By Brian Chasnoff

Editor's Note: *All workers' names have been changed due to threats and harassment received from superiors, including the use of employer blacklists and threats aimed at the workers' families.*

Human Resources

Faustino Pumarejo has a Ph.D. in labor relations and has worked in the maquiladora sector for more than 30 years. Recently laid off, he worked for General Electric as its human resources director for three years, serving as a liaison between labor and management in the Reynosa and McAllen plants where workers repair aircraft parts.

He said he did not hear many complaints.

"The maquiladoras are not sweatshops," he said. "They are clean, and there is no mistreatment. Companies like General Electric have high integrity."

Pumarejo added that GE pays its Mexican workers about $15 a day. He believes this to be a sufficient salary.

"It's adequate according to [the workers'] standards. They live by different standards than [Americans] do," he said.

As an authority on workers' salaries, Pumarejo remained mindful of the shifting economic landscape in Mexico, requesting raises for them in cases of inflation. Mexico's inflation rate averaged 12.4 percent a year between 1997 and 2002, severely affecting some workers' real wages.

GE's employees receive a number of benefits. Workers are given blankets for their families every winter as Christmas gifts; Pumarejo always made sure the blankets were queen-size in order to accommodate each worker's whole family. They are offered free birth control pills, condoms and pills for parasites. Every day, the workers receive a free lunch.

Pumarejo never saw the need for independent unions. He said, for a developing country, the Confederation de Trabajores Mexicanos adequately represents the workers. Besides, he explained, the smaller unions just "get gobbled up." And the CTM is reliable: What the union says goes.

Pumarejo believes in NAFTA.

"I think it will work," he said. "We have to compete with the European Union, and we are in a global economy."

He also believes in the worker, placing the value of labor on the same level as that of management.

"We're all in it together," he said.

And Pumarejo sees all maquiladoras as basically the same.

"They are all clean, well-run and they make a profit," he said. "They all have security, and we give the workers parties for Christmas and Easter."

A Chain of Events

Although the social and economic consequences of its implementation have proven both sweeping and extreme, NAFTA arose naturally in the early 1990s as the culmination of a process that the Mexican government began nearly three decades before.

The maquiladora plant was born in 1965 under Mexico's Border Industrialization Program, which sought to attract U.S. investment to Mexico's northernmost zone by eliminating restrictions on foreign ownership. Under the program, Mexican manufacturing corporations were entitled to foreign investment participation as well as temporary duty-free imports of machinery, equipment, parts and materials.

Two decades later, the government began to implement an even more evolved industrial development policy. In the early 1980s, a group of U.S.-educated economists and business people took over the ruling Partido Revolucionario Institucional. According to Jeff Faux, president of the Economic Policy Institute, they began to cultivate a privatized, deregulated and globalized Mexican economy. A major objective at this time, said Faux, was the deconstruction of an old social contract in which the benefits of growth were shared among workers, farmers and small business people.

The new agenda quickly began to take shape.

Under President Miguel de la Madrid, who ruled from 1982 to 1988, the federal government cut its financial support to the Mexican countryside nearly in half.

Carlos Salinas de Gotari became president of Mexico in 1988. A Harvard educated economist and a leading advocate of economic reform, Gotari touted NAFTA on both sides of the border and lifted Mexicans' expectations for a better future.

The government's acceptance of NAFTA in 1994 furthered the transformation of Mexico's economy. Under the agreement, the U.S. cut tariffs on most Mexican manufactured goods - with the largest cuts on textiles and apparel - while Mexico cut tariffs dramatically on both agricultural and livestock products and virtually all manufactured goods from the U.S. The agreement also allowed the U.S. to continually dump millions of tons of below-cost corn into Mexico, undermining an agricultural industry that is the main source of income for 8 percent of Mexico's 100 million people. Despite promises by the Mexican government to greatly increase financial and technical assistance to the countryside following NAFTA, reformers actually dropped funding for farm programs from $2 billion in 1994 to $500 million by 2000.

Jeff Faux said the Mexican government purposefully compromised Mexico's rural peasantry.

"Mexico's neoliberals were pursuing a large-scale program of government social engineering aimed at forcing Mexico's rural population off the land and into the cities, where it could provide cheap labor for the foreign investment that the new open economy would attract," he said.

The underdeveloped colonias, Faux said, are examples of what happens when rural migrants are forced to find homes in cities with already inadequate infrastructures.

NAFTA provided no social regulations. It offered no labor, health or environmental standards. All protections were reserved solely for corporate investors, Faux said.

Before NAFTA's passage, the treaty's proponents in Mexico claimed free trade and unregulated foreign investment would produce job growth and rising incomes. NAFTA's critics predicted that any benefits would go mostly to the rich while the middle class and poor would pay the costs. Numerous analyses of the agreement's effects nearly 10 years after its passage support the conclusion that NAFTA's critics were correct.

A recent report by the Carnegie Endowment for International Peace said real wages in Mexico are lower today than when NAFTA took effect, and 31 percent of Mexicans currently live below the poverty line. The Carnegie report also stated that, "Compared to the period before NAFTA, the top 10 percent of households have increased their share of national income, while the other 90 percent have lost income share or seen no change." Although the peso crisis of 1994-95 is partly to blame for Mexico's problems, the greatly increased levels of trade and productivity engendered by NAFTA have not aided the country's internal economy.

One reason for this is the lack of locally sourced inputs going into the factories. Only 3 percent of the raw materials invested into the maquiladoras are from local sources - the remainder are imported.

Mexican capitalists have also failed to invest much money into the maquiladoras since NAFTA, perhaps predicting the current trend of plant closures and layoffs.

On Dec. 17, 2003, President Bush, along with four of five Central American countries, signed off on the Central American Free Trade Agreement, which will serve as a model for expanding NAFTA to the entire Western Hemisphere. The only country to refuse was Costa Rica, the wealthiest of the five countries. If enacted, CAFTA will mirror and stretch NAFTA, eliminating tariffs and providing Central American countries with similar trade and investment benefits. A draft of the agreement reveals minimal protections for workers. In Chapter 16 of the draft, pertaining to labor, the new treaty states, "The setting of standards and levels in respect of minimum wages by each Party shall not be subject to obligations under this Chapter. Each Party's obligations under this Chapter pertain to enforcing the level of the general minimum wage established by that Party."

The maquiladoras are currently shedding jobs. Foreign investment in maquiladoras fell from almost $3 billion in 2000 to $2 billion in 2002, in part due to cheaper labor available elsewhere. The maquiladora industry's dependence on the U.S. economy has also contributed to its problems; the U.S. recession in 2001 decreased the demand for export production.

With the loss of more than 240,000 jobs since 2001, many ex-workers have entered the steadily rising stream of immigrants into the United States.

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