Industrial Restructuring and the Role of Mexican Labor in NAFTA

*Dr. Alejandro Alvarez Béjar**

INTRODUCTION

Recently, México, Canada, and the United States signed the North American Free Trade Agreement (NAFTA). The politicians from the NAFTA countries have hailed NAFTA as the answer to their countries' economic woes. A closer look reveals, however, that not everyone will benefit in this new era of free trade. This paper examines how NAFTA will affect one of the losers under the NAFTA regime: México's working class.

Part I of this paper examines how economic integration between the United States and México before NAFTA has affected the Mexican working class. Part II discusses how the deep asymmetries among the three NAFTA countries will disadvantage the labor class after NAFTA is implemented. Part III discusses who will win and who will lose under NAFTA.

I. INTEGRATION BETWEEN MÉXICO AND UNITED STATES BEFORE NAFTA

A. *Mexican Macroeconomic Background*

To understand the effect that NAFTA will have on Mexican labor, it is necessary to examine the effect that México's restructuring in the 1980s has had on its economy. The Mexican economy in the early 1980s was in a dismal state. México had the dubious privilege of being the most indebted country in the world. With more than $100 billion of external public debt, the budget deficit reached fourteen percent of the Gross Domestic Product (GDP).

* Labor economist who teaches in the Faculty of Economics at the Universidad Nacional Autónoma de México. I am indebted to research assistants Sandra Martínez and Alejandro García, for searching and processing statistical information. As always, responsibility for any errors in the text is exclusively mine. This paper is part of a larger research project funded by D.G.A.P.A.- UNAM/ IN401891.

México's foreign income was and is overly concentrated. Seventy-five percent of it comes from petroleum exports. Thus, the sudden fall of the international price of oil in 1982 dramatically worsened México's chronic trade deficit and forced the Mexican government to restructure its economy. The government—sponsored by international financial agencies—decisively changed its economic policy. It moved to ensure the servicing of external debt, to reinforce the economy's export bias and to fundamentally change the state's role in the Mexican economy.

Over the past decade, the Mexican government has pursued unpopular economic policies under the banners of stabilization and modernization. The government has claimed that these austerity measures are bitter but inevitable. The new policies lowered wages, restructured public and private finances, privatized and deregulated public enterprises and increased the exportation of manufactures. The U.S. administration, particularly its national security agencies, saw NAFTA as an opportunity to consolidate and formalize these structural changes.

These changes have further integrated the Mexican and U.S. economies and have led to the deterioration of living and working conditions in México. The effect of this structural change on the Mexican economy and people was evident in the 1980s. From the 1981-82 recession to 1990, the U.S. and Canadian economies created eighteen million new jobs. During this period in México, however, the economy fell into virtual stagnation. It averaged 0.8% growth and real wages lost fifty percent of their purchasing power. The Mexican workforce ended the 1980s with thirty million people, but during the decade it grew by one million people a year. The maquiladora industry only created 347,000 new jobs throughout the decade, most of them in electronics, autoparts and textiles.

México joined the GATT in 1986. Since then, its external tariffs have fallen from an average of 100% to around 10% today. Over the past seven years, México has moved from being a strongly protected economy to being one of the most open in the world. From the 1940s to the 1980s, México used an Import Substitution Industrialization (ISI) program to develop its economy. This strategy was focused on production for the domestic market. The ISI strategy fell into crisis in the beginning of the 1980s for several reasons. First, the inequality of income distribution in the country bred unrest. Further, unemployment and the increasingly unwieldy budget deficit increased the impetus for economic change.

In the 1980s, México changed its approach to an Export Oriented Industrialization (EOI) program. Under this new strategy, the government used industrial restructuring to attain low wages, manipulate exchange rates and create fiscal transfers. This shift in industrialization policy and the official encouragement of manufactures exports has had far reaching consequences. It has quickly diversified exports and destroyed many industries. Technological change in this restructuring has been limited, whereas changes in management-labor and capital-labor relations have been deep and lasting.

This new strategy of export manufacturing has produced a new industrial structure with new characteristics. México now produces far more intermediate inputs for the world market. As the importance of producing intermediate goods has increased, the importance of production in the durable goods, machinery and equipment sectors has receded. These structural changes in Mexican industry have not changed México's old problems of unemployment and wealth concentration. Rather, they have contributed to the descent of industrial activities oriented to the domestic market, leaving some industries contracted and others stagnated. The major social effect of industry modernization is that it further deepens the income concentration that already existed in México. The majority of the population in México has been excluded from the industrial products market. This population has not only been unable to buy products that symbolize opulent societies, such as refrigerators and electronics, they have also not had access to traditional goods such as clothes, footwear and even junk food.

B. *The Effects of Mexican-United States Integration on the Mexican Working Class*

The government's austere deregulation and restructuring policies have benefitted only multinational corporations and a few large Mexican financial and industrial groups. On the other hand, the policies have brought growing unemployment, lower wages and a strong anti-labor climate to the working people. This explains why many believe that Carlos Salinas de Gortari has accelerated México's sell-out to transnational capital under the banner of free trade. This also explains why many feel that free trade has been presented as an "inevitable road" of restructuring that will create jobs, bring democracy and allow México to become a first-world country.

For a thirty million person workforce that is thirty percent underemployed or unemployed, the NAFTA promise of sustained economic growth and abundant jobs sounds sweet.

TABLE 1. UNEMPLOYMENT & UNDEREMPLOYMENT IN MEXICO, 1980-1988

YEAR	EAP	RU & U
1980	22880	11.4
1981	23745	9.2
1982	24642	12.8
1983	25573	17.9
1984	26540	19.0
1985	27543	20.3
1986	28596	24.4
1987	29689	26.6
1988	30824	29.0

EAP: Economically Active Population
RU & U: Rate of Unemployment & Underemployment
SOURCE: CONAPO, Mexico, 1988 Sistema de Cuentas Nacionales de Mexico, INEGI, SPP, Mexico.
Taken from: Casoni, A. El mercado laboral en Mexico: los años de crisis, CIDE, Mexico, 1990.

But those who promise that economic integration will bring an abundance of well-paid jobs have admitted that such advantages will occur only in the long-run. Today, the job market has not even recovered from the severe economic restructuring launched in 1982. Layoffs have been rampant: the last report done by the National Institute of Geography, Information and Statistics showed that from 1980 to 1993, a million workers lost their jobs in the manufacturing sector.[1] Another study showed that from January 1992 to January 1993 Mexican industry lost 251,000 jobs, mostly concentrated in small enterprises.[2]

The lowering of tariffs for three consecutive years in the mid-1980s has devastated industries that had been protected since the 1940s. Technologically backward industries were hardest hit: fifty percent of textile factories and twenty-eight percent of the leather industry disappeared. Additionally, domestic production of household appliances and capital goods virtually shut down.

[1] EL FINANCIERO, México, March 3, 1991; September 2, 1993.
[2] EL FINANCIERO, México, March 3, 1991; September 2, 1993.

During the 1980s, the Mexican government also cut jobs and capped public employees' salaries in an effort to cut its budget deficit. Industries such as the steel and sugar industry suffered thousands of layoffs. During the first five years of the Salinas administration, 95,000 oil workers of the state-owned company PEMEX were laid off.[3] The government's cuts in social spending aggravated already dismal working and living conditions. Government cuts in funding for education and training will increase the ranks of the unskilled workforce for generations to come.

The core of industrial activities—automobile production—illustrates the effects of this industrial restructuring. Since its beginnings in the 1920s, the automobile industry in México has been characterized as having too many firms, vehicle lines and models. In 1981, there were eight car manufacturers with eleven lines and forty-seven different models. Scale production could only produce an average of 13,000 units per line (compared with the average then in Brazil of 45,000 per line, or an average of 100,000 in South Korea). A second problematic characteristic of the automobile industry was that it accounted for a large share of México's foreign manufacturing debt. According to official estimates, this deficit was $1.4 billion out of a total deficit of $4 billion in 1980.

Because of these realities, México has restructured its automobile industry hoping to become a major auto part and car supplier to the United States and Canada. México intends to do this by taking advantage of a vertical integration that will allow transnational corporations larger economies of scale. Throughout the 1980s, the Mexican government took steps to bring about these deep structural changes in the auto industry. These changes have had very visible effects. The auto industry has experienced a sudden and periodic contraction of the domestic market for cars and trucks. Total production in 1990 oriented to exports increased from eight percent in 1980 to more than thirty-three percent in 1990. Since the contraction of the domestic market, the weakest firms have rapidly surrendered.[4] The remaining firms have aggressively changed their structure by making their plants more capital intensive and further limiting the rights of the working people. In short, although it is difficult to distinguish jobs lost due to the general

[3] SEMIP, Secretaría de Minas e Industria Paraestatal, PROGRAMA NACIONAL DE MODERNIZACIÓN ENERGÉTICA, 1990-1994.

[4] For example, Mexican Automotive Vehicles and Renault Mexicana closed their plants in 1983 and 1986 respectively, directly and indirectly affecting 20,000 jobs.

economic contraction from those jobs lost because of technological innovation, the fact is that the labor force in the Mexican automotive industry shrunk fifty percent between 1980 and 1984.

At the same time, the integration of Mexican automotive firms with United States and Canadian firms was strongly encouraged. During the 1980s, General Motors, Chrysler, Ford Motor, and Nissan all established new plants in Northern México[5], using state-of-the-art technology and fewer workers to increase productivity. These corporations paid relatively lower wages and operated under contracts notably less favorable to workers.[6]

II. NAFTA AND THE MEXICAN WORKING CLASS

NAFTA will accelerate this process of integration between the United States and México. Further, NAFTA will initiate integration between Canada and México. While this may benefit large transnational corporations, it will disadvantage the working class.

A. *Asymmetries in NAFTA: Virtue and Weakness*

In today's international economy, countries around the world are forming large, regional trading blocs. The European Union, the Pacific Basin Project and the North American Free Trade Area exemplify this trend. These countries form large trading blocs to be competitive on the global level. Yet, merely because countries form regional blocs does not mean that each country within the bloc benefits equally from its formation. To the contrary, fundamental asymmetries may exist among the regional partners that can lead to unequal returns. Among the NAFTA countries—the United States, México, and Canada—at least seven such asymmetries exist. This section discusses these asymmetries and the effect they will have on the NAFTA trading partners.

The first difference among the NAFTA countries is that the U.S. economy is ten times the size of the Canadian economy and twenty-five times that of the Mexican economy. Some writers, thus, have

---

[5] New plants have been developed in Hermosillo, Chihuahua, Ramos Arizpe and Aguascalientes.

[6] *See generally*, Alejandro Alvarez, *Economic crisis and the labor movement in México* in UNIONS, WORKERS AND THE STATE IN MÉXICO 27 (Kevin Middlebrook, ed., 1991). In the struggle to gain take advantage of the Mexican export promotion policy, firms such as Volkswagen have lost ground. But, in spite of this, Volkswagen has invested more than $200 million from 1983 to 1988 to upgrade its plant in Puebla, México. To offset this, Volkswagen has closed its plant in Westmoreland, United States.

referred to the process of integration among the three countries as that of "the hub and the spokes." Since the United States is the hub, NAFTA operates favorably for the U.S. economy.[7]

The U.S. economy is currently undergoing deep structural adjustments. The magnitude of the twin deficits (trade and fiscal) coupled with widespread bankruptcies in agriculture, industry and services are forcing these deep structural adjustments. The United States is trying to revitilize its economy by transferring its problems to its main trading partners, Canada and México. But this may be a mistake because the United States will only further already existing imbalances among these countries and stimulate social discontent among the people of Canada and México.

Although Carlos Salinas presented NAFTA as México's initiative, in reality United States-based transnational corporations have promoted NAFTA. In promoting NAFTA, these corporations have negotiated with four main geopolitical objectives. First, they have sought to weaken United States and Canadian trade unions. Second, they have attempted to open industries that continue to be protected by the Canadian government. Third, they have tried to lock in the structural changes México has undergone in its industrial restructuring of the 1980s. In particular, they have wanted to establish the low wages in México as a regional comparative advantage. Finally, these transnational corporations have used NAFTA as a key negotiating card in the global context of the General Agreement on Trade and Tariff's (GATT) Uruguay Round negotiations.

The second asymmetry involves the growth rates of the NAFTA countries. In the 1980s, when economic integration talks began, the U.S. and Canadian economies experienced consistent growth. The Mexican economy averaged zero growth for the entire decade. During the years of formal NAFTA negotiations, the macroeconomic picture in the trading partners' countries changed dramatically, with serious social consequences in the three countries. México has gone from a weak recovery into a deep recession,[8] while the United States and Canada are still slowly recovering from a recession.

A third asymmetry among the NAFTA countries is that the economic, political, and military integration between the United States

---

[7] Ronald J. Wonnacott, *United States Hub and Spoke Bilaterals and the Multilateral Trading System*, 23 CANADA-U.S. PROSPECTS (1990).

[8] *See generally*, Alejandro Alvarez & Gabriel Mendoza, *México: Neoliberal Disaster Zone*, in CROSSING THE LINE 26 (Jim Sinclair, ed., 1992).

and Canada is more developed than the integration between México and the United States. Canada is the United States largest trading partner. In fact, the United States trades more with one province in Canada—Ontario—than it does with the entire nation of Japan, the United States second largest trading partner.

The Canadian-United States Free Trade Agreement (CUSFTA) was the first bilateral free trade agreement in the world to include services[9] rather than just products. It also included agriculture, energy and manufacturing, and gave all capital "national treatment." Further, the member countries received free access to distribution systems and they agreed upon a binding dispute resolution system.

The fourth asymmetry involves the trade relationship between Canada and México. The investment and trade between Canada and México make up only a small part of either of their global trade. Their two-way trade was only $2.3 billion in 1989. Canada ranks sixth among México's trading partners while México is seventeenth among Canada's partners.[10] This further underscores the United States' role as the hub among the three countries.

The fifth asymmetry involves the segments in the NAFTA countries that support and oppose NAFTA. United States corporations have supported NAFTA while unionists, environmentalists, and political parties have consistently opposed it. The Reagan administration initially presented NAFTA. Since then, the largest U.S. corporations have promoted it, and the executive branches of the United States, Canada, and México have systematically carried it out. Thus, the opposition to NAFTA in the three countries has come from precisely the social groups that have been excluded from the decision making process.[11]

---

[9] The services include telecommunications, computers, networks and computer services, insurance services, banking services, engineering, wholesale and retail sales.

[10] LORRAINE EDEN & MAUREEN APPEL MOLOT, FROM SILENT INTEGRATION TO STRATEGIC ALLIANCE: THE POLITICAL ECONOMY OF NORTH AMERICAN FREE TRADE 4 (No. 17 in series of Occasional Papers published by Centre For Trade Policy and Law, Carleton University, Ottawa, Canada (1991)).

[11] Jorge Bustamante, LA JORNADA, February 25, 1992. A further problem is that the only body with the power to modify the specific contents of NAFTA has been the U.S. Congress. It does not appear that the Canadian Parliament or Mexican Senate has this power. This has transformed the NAFTA negotiations into a political problem, making a future political legitimacy crisis in one of the three countries a strong possibility.

There is also an asymmetry with the extent to which México and the United States rely on each other as trading partners. México ranks third among U.S. trading partners but represents only a fraction of its global trade. On the other hand, México imports two-thirds of its goods from the United States. The United States is clearly México's most important trading partner.

Although the total Mexican population is one-third of that in the United States, Mexican industrial production represents only four percent of that of the United States. Further, the Mexican volume of industrial employment is only fourteen percent of that in the United States and the Mexican active economic population is eighteen percent of that in the United States. The United States is eight times more globally productive than México. Hourly wages in the U.S. auto industry are twelve times higher than those in México.[12]

These figures indicate that the global menace of asymmetry runs against México. Considering the industrial technological backwardness and general low productivity levels in México, low wages are a competitive advantage only for Mexican industry dominated by foreign capital. Thus, in the auto industry, where the joining of high technology and low wages is an extraordinary virtue for international competitiveness, the countries can achieve a tremendous labor savings.

The final asymmetry concerns what will be mobilized after NAFTA's passage. NAFTA will allow capital, goods, and services to move virtually freely among the member countries. But, it will restrict labor mobility, except in the limited context of skilled labor related to services.[13] This is significant because the prevalence and social influence of unions as well as the workers' share of the national income diverges sharply among the NAFTA countries. Canada is the most favorable toward labor rights while México is clearly the least favorable. After NAFTA, México's only comparative advantage will be its lower labor costs. This reality will lead to a race to the bottom for labor.

---

[12] Edur Velasco, *El Desafío Sindical al NAFTA: Empleos, Salarios y Productividad*, in 41 EL COTIDIANO 21, 28 (May-June 1991) Universidad Autónoma Metropolitana-Azcapotzalco, México.

[13] EL FINANCIERO, México, March 3, 1991; September 2, 1993.

IV. Integration, Jobs and Wages: NAFTA's Winners and Losers

A. *Low Mexican Wages: A Comparative Advantage*

The real advantages of doing business in México are the absence of effective unions, lax environmental controls and low health and safety standards. The NAFTA side agreement addressing labor will not change this reality. The preamble and principles of the labor side agreement on "labor cooperation" established that each party is committed, in accordance with its domestic laws "to promote a wide range of labor principles," including the freedom of association and the right to bargain collectively. Yet, in the dispute resolution section of the Labor Side Agreement, disputes are actionable only if they allege:

> [A] persistent pattern of failure to effectively enforce labor laws with respect to health and safety, child labor and minimum wage, relating to a situation involving mutually recognized labor laws and the production of goods and services traded between the parties.[14]

The freedom of association alluded to in the Labor Side Agreement does not currently exist in México and it will likely be a key issue in the future. Workers usually demand not only better wages and concessions from their companies, but more democracy in their unions. This is so because "Charro" leaders usually crush any rank and file movement they cannot control. Official labor organizations in México have historically maintained close ties to the state. The government perpetuates this relationship by allowing the Labor Ministry to control union registration. Further, state legislation requires workers to join a single worker's federation, and many of the largest unions still do not have direct elections of national leaders. Finally, official unions have representatives on the Federal Conciliation and Arbitration Board. The Labor Ministry itself contributes to the problem by directly violating workers' rights. Given this, it is unacceptable for the Labor Ministry to be "judge and party" in the labor disputes before the Ministerial Council.

Beyond this, it is important to remember that even in the United States there are widespread violations of migrant workers' rights. The dispute resolution provisions in the labor agreement do not

---

[14] North American Agreement on Labor Cooperation, Sept. 14, 1993, U.S.-Can.-Mex., art. 1(f), 32 I.c.m.1503.

address these problems. Furthermore, the dispute resolution mechanism itself is long and complicated.[15]

It is impossible to analyze labor issues between the United States and México without discussing the maquiladora program. The maquiladora program allows foreign companies to establish plants in border communities in México. The program allows U.S. companies to import partially-made goods into México from the United States duty-free, finish them in México with Mexican labor, and then re-export them to the United States without customary tariffs. This program has expedited industrial restructuring in the United States and, to a large extent, determined the path of Mexican industrial development. The maquiladora industry is México's second largest source of foreign income. Because the maquiladora industry produces forty-five percent of México's exports to the United States, México's business cycles are strongly linked to the U.S. business cycles.

The maquiladora industry has introduced new technology in undeveloped cities, creating a fundamentally different labor force. From 1982 to 1987, the average undervaluation of the peso to dollar exchange rate was thirty-five percent. Thus, Mexican wages fell from $2.96 per hour in 1980 to $1.37 per hour in 1987. In 1990, the daily average wage for the Mexican worker was 30,000 pesos, which is around $9.50 (with an average work week of forty-seven hours). A factory worker in the southwestern United States makes this much in an hour. This demonstrates how low Mexican wages subsidize the American industrial restructuring process. This is especially so for the automotive and electronic sectors, which are currently responsible for the largest share of Mexican imports.

According to estimates, American industry saved $25,000 per worker in 1990 by using Mexican labor. For 1990, this totalled about ten billion dollars, which was about the amount of the Mexican external debt service in the same year. A powerful coalition of multinational and national firms supporting government wage policies has ensured that these low wages remain entrenched.

It is important to understand the forces underlying the low wages in México. In a general sense, low wages have been part of the Salinas government's policy of "austerity." More specifically, several factors have contributed to these low wages.

First, as was discussed above, during the 1980s the Mexican economy incorporated almost a million new working-age people. In a

15 *Id.* at articles 27-41.

TABLE 2. COMPENSATIONS AND PRODUCTIVITY IN MEXICO-USA-CANADA, 1980-1987

	MEXICO		UNITED STATES		CANADA	
INDICATOR	1980	1987	1980	1987	1980	1987
(1) Remuneration to employees (mill. N/C)	1611000	51008000	1646340	2697060	171424	295665
(2) Value added (mill. N/C)	4470000	192935000	2688470	4472910	307730	544859
(3) Total of employees	20280000	21843000	99303000	112440000	10708000	11955000
(4) Exchange rate	23	1378.2	1	1	1.2	1.3
(5) Remuneration to employees (mill.doll) (5=1/4)	70043.5	37010.6	1646340	2697060	146616	222975.1
(6) Value added (mill.doll.) (6=2/4)	194347.8	139990.6	2688470	4472910	263197.1	410904.2
(7) Productivity (7=6/3)	9583.2	6408.9	27073.4	39780.4	24579.5	30370.9
(8) Productivity (Index) (Mexico=100)	100	100	282.5	620.7	256.5	536.3
(9) Average remuneration to employees (9=5/3)	3453.8	1694.4	16579	23986.7	13692.2	18651.2
(10) Average remuneration to employees (Index) (Mexico=100)	100	100	480	1415.7	396	1100.8
(11) Value added worker's share. (11=1/2)	36	26.4	61.2	60.3	55.7	54.3

N/C: National currency.

SOURCE: For COMPENSATIONS OF EMPLOYEES and VALUE ADDED: United Nations, National Accounts Statistics Main Aggregates and Detailed Tables, New York 1988.
For TOTAL of EMPLOYEES: United Nations, Statistical Yearbook, 1987, New York 1990.
For EXCHANGE RATE: International Monetary Fund, International Financial Statistics, Washington, D.C. 1990.

virtually stagnant economy, the pressure for employment was tremendous, causing many to migrate to the United States. The pressure for employment also contributed to the fall in wages in the Mexican economy as a whole.

México's financial restructuring has also contributed to the fall in employee wages. The Mexican government is the single largest employer in México. México has responded to its fiscal deficit problems by cutting its budget, including significantly reducing its payroll. This has driven down the public employees' wages and deeply altered the stability of the Mexican labor force.[16] The financial restructuring has increased the budget for paying external debt but has reduced the budget for health, education, housing and basic services.

The third factor depressing wages has been the Mexican government's response to the 1982 financial crisis. Specifically, industrial groups have helped pay their debts by restructuring their companies and freezing their employees' wages. Some of these corporate groups have been very successful in combining wage drops and increased exports to the United States.[17]

The maquiladoras have also successfully exerted pressures to lower wages. The maquiladoras, in search of a global economic competitive advantage, have been encouraging economic integration between México and the United States.[18] The maquiladora program gave México hard currency in the short-run but has lowered domestic wages in the long-run.

The fifth factor leading to lower wages was the Mexican government's monetary policy during the early 1980s. The low Mexican wages were due to the undervaluation of the peso. This undervaluation and the existence of wage ceilings lead to lower wages for Mexican workers. A Mexican worker in the maquiladora industry, for example, earned seven dollars a day in 1980. But, this same worker earned only $4.25 a day in 1986 and $3.13 a day by the end of the decade.[19]

The sixth explanation for lower wages has been the government's export promotion policies. While these policies have devastated Mexican workers' wages, they have certainly benefitted U.S. corporations. Many U.S. manufacturers of high technology, for example, have created a new base in northern México. These manufacturers have exported a third of their total production to the United States. This enterprise has proved to be enormously profitable for these

---

16 Alejandro Alvarez and Gabriel Mendoza, *México 1988, un Capitalismo Depredador en Crisis*, 53 CUADERNOS POLÍTICOS 34 (1988).

17 Miguel Orozco, et al., *La Modernización Industrial y los Trabajadores*, Research Report N 24, Facultad de Economía, UNAM, March, 1992.

18 Alejandro Alvarez, México Maquila Country? (May 3-5, 1991) (presentation given at conference on free trade in Canada, U.S. and México entitled "Solidarity, not Competition" in Toronto, Canada) (published by Common Frontiers, Toronto, Ontario, Canada).

19 Alejandro Alvarez and Gabriel Mendoza, *México 1988-1991: a Successful Economic Adjustment Program?*, LATIN AMERICAN PERSPECTIVES 32 (Summer 1993).

TABLE 3. FEDERAL REAL EXPENDITURE (THOUSAND OF MILLION PESOS OF 1980*)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
TOTAL	1159.8	1431.3	1303.5	1099.7	1162.3	1098.0	1028.0	980.3	929.9	812.2	1681.1	1137.9	
Rural development	139.6	152.2	123.2	105.7	98.4	89.0	84.3	62.5	50.2	48.6	50.4	52.2	
Fishing	13.2	19.2	22.2	20.8	18.5	15.7	18.1	17.7	6.7	1.5	1.5	2.4	
Social development	360.1	446.7	441.0	308.2	321.3	341.7	315.1	299.8	297.3	313.1	343.9	497.6	
Education	139.9	175.0	181.8	127.4	136.9	140.9	124.9	127.8	128.9	133.8	142.2	206.9	
Labour & health	152.9	178.7	177.7	140.2	134.4	138.2	142.7	131.9	137.3	152.6	167.9	246.9	
Solidarity & regional development	26.9	43.9	50.2	21.8	30.0	24.1	28.2	13.8	11.8	13.1	21.8	33.2	
Urban development	36.4	49.2	31.4	18.8	20.0	38.5	19.2	26.4	19.3	13.7	12.0	18.2	
Transport & communications	79.8	93.3	89.6	90.0	96.2	95.9	87.3	86.7	64.9	51.4	49.9	70.6	
Domestic trade	68.4	106.8	91.3	110.3	108.3	73.7	63.4	62.9	65.4	72.4	74.8	58.3	
Tourism	4.4	5.1	4.4	2.7	2.8	2.3	1.6	1.8	1.7	1.0	1.8	1.6	
Energy	319.3	409.6	349.0	285.3	285.9	262.0	260.0	254.8	253.4	237.5	241.3	307.0	
Industrial	90.1	111.1	104.0	110.0	153.1	137.9	125.8	127.3	119.5	79.7	72.6	40.8	
Administration	59.5	53.3	48.7	38.0	40.6	36.2	37.5	32.4	35.5	40.9	28.7	42.4	
Justice & police	23.5	32.0	28.2	26.6	34.3	36.4	31.8	30.7	31.2	32.5	37.0	47.8	

* Deflacted with implicit deflactor of GDP.

SOURCE: Carlos Salinas de Gortari, Quinto Informe de Gobiernom Anexo, Presidencia de la República, nov., 1993.

TABLE 4. DAILY REMUNERATIONS REAL PESOS & CURRENT DOLLARS

	1980	1985	1990	1992
PESOS OF 1980*				
General minimum wage (to Dec. 31, each year)	140.7	91.8	71.1	59.89
Contractual average wage in industries of federal jurisdiction	179.1	140.3	113.9	111.6
Average remunerations per occupied worker	506.1	387.9	367.6	421.7
Average wage in maquiladoras	161.1	122.9	120.0	110.8
Average remuneration in the formal sector of construction	N.D	225	148.9	163.6
CURRENT DOLLARS**				
General minimum wage (to Dec. 31, each year)	6.1	2.48	3.66	3.89
Contractual average wage in industries of federal jurisdiction	7.70	3.36	5.83	7.67
Average remunerations per occupied worker	21.76	9.29	18.81	28.96
Average wage in maquiladoras	6.93	2.94	6.14	7.61
Average remuneration in the formal sector of construction	N.D	5.39	7.62	11.24

* Minimum wage came from the National Consumer's Price Index.
** The Bank of Mexico's exchange rates were used to convert the balance of payments and average flows. The other statistics provided come from Indicadores Económicos.
SOURCE: Carlos Salinas de Gortari, Quinto Informe de Gobierno, Anexo, Presidencia de la República, Nov. 1993.

corporations. The stamping and assembly plant in Hermosillo, for example, cost Ford $500 million to launch in 1986. This plant employs 1,600 workers at an annual labor cost of about seven million dollars.[20] In terms of U.S. labor costs, a plant of this size would cost around $100 million a year. But, while U.S. corporations have profited from México's export policies, Mexican workers and their wages have suffered.

Finally, the ineffectiveness and corruption of labor unions in México has also caused wages to be lower. These unions have eroded Mexican workers' ability to reverse the devastating decline of wages and living conditions.[21]

For the future, in assessing NAFTA's negative impact on Mexican firms, it is important to consider their relative size, capacity to upgrade productivity, technological base and ability to implement marketing strategies. Some of these limitations have become clear during the 1980s. NAFTA will cause severe damage to small or medium-sized firms that have productivity and quality levels far below international standards. Thus, sectors such as textiles, auto

[20] Kim Moody and Mary Mcguinn, *From the Yukon to the Yucatan: Free Trade Goes Continental and So Must Labor Solidarity* 171 DOLLARS AND SENSE 10 (1991).
[21] Alvarez, *supra* note 16.

parts, and petrochemicals will suffer under NAFTA. Labor intensive industries may move to México, but modern production requiring high technology and skilled labor will remain in the United States.

Under NAFTA, unskilled or manual labor could severely suffer in all three NAFTA countries. Nevertheless, low wages combined with high technology will bring the highest international productivity. NAFTA will strengthen national firms in sectors already enjoying comparative advantages: glass, beer, cement, certain steel products, and office equipment. Transnational firms in the automobile and the appliance industry (refrigerators, washing machines) will also benefit.

B. Changes in Working Conditions

Some of the worst working conditions in México are associated with maquiladora production.[22] In maquiladora production, plant managers handpick their workforce, weeding out the less productive and docile workers through high production quotas, indiscriminate firings, and extensive use of temporary workers. Job rotation is as high as fifteen percent per month, so managers face the problems associated with very high turnovers in their workforce.

Assembly work in México is, as it is everywhere, monotonous, low-skilled, and subject to constant pressure to accelerate production. Because health and safety laws in México are not enforced, workers have a one in three chance each year of suffering a work related injury. Particularly prevalent are noise pollution, exposure to unsafe chemicals, and loss of eyesight. Studies show that environmental pollution, both within the workplace and in the community of maquiladora workers, is an issue of especially great concern.[23]

Working conditions worsened in two ways during the industrial restructuring of the 1980s. First, the shrinkage of México's internal market combined with deregulation and the opening of trade resulted in layoffs, deep changes to collective contracts, and the relocation or closing of manufacturing plants. Second, the introduction of new technologies led to plant automation and job simplification. This in turn destroyed skilled-job positions and led to

---

[22] Throughout the 1980s these schemes have been extended to automotive production. Alvarez, *supra* note 18.

[23] Peter Baird, *Maquiladora Fact Sheet*, Sacramento, CA 1989 Jorge Bustamante & Devón Gerardo Peña, "A Case Against Maquiladoras," Hermosillo, Sonora, México. 1989.

the deterioration of labor-employer relations. These developments also lead to a complete reorganization of industries such as electronics, textiles, automobiles, machine tools, telecommunications and banking services. Such developments increased management control over the workplace and brought new occupational risks, greater work intensity and higher productivity. These trends help to explain the anti-union climate in México in the 1980s.

C. *Labor Markets and Migration Trends*

Carlos Salinas de Gortari has insisted that only NAFTA can ensure that México will export inexpensive, high quality products rather than Mexican workers. Salinas de Gortari has fabricated the threat of massive migration to disguise the role he seeks for México as a haven for United States and Canadian companies to pay meager wages to Mexican workers. Labor market integration between México and the United States, already well advanced without any agreement, reveals México's role in the restructuring of the United States economy.

The United States strongly opposed including labor mobility issues in the NAFTA negotiations. The United States explained its reluctance by describing labor mobility as a "highly sensitive issue." In reality, the United States wanted to restrict mobility to recover international competitiveness and to fulfill domestic political goals. Because of this, labor was not subject to negotiation. Yet, the United States has used immigration policy throughout the 1980s to create a special zone along both sides of the U.S.-Mexican border where migrant workers have worked for low wages and without the benefit of unions.[24]

The Simpson-Rodino initiative in 1986 was designed to control this migrant labor force. Instead, amnesty for workers and employee sanctions have facilitated police persecution, frightening and disorganizing hundreds of thousands of migrant workers. The resulting labor instability suppresses labor rights and diminishes the wages of both United States and migrant workers. More recently, the Immigration Act of 1990 has created new openings for skilled

[24] This special zone includes California, Arizona, New México, Colorado, and Texas in the United States and the Mexican states of Baja California, Sonora, Chihuahua, Nuevo Leon, Coahuila, and Tamaulipas. It has four interesting characteristics: a strong influence of California and Texas, a large but highly segmented labor force, low rate of unionization among migrant workers, and great wage differentials. It is widely known that Mexican workers hold the lowest paid and most difficult jobs on both sides of the border.

workers and professionals. Although this law is aimed at Eastern European workers, it will also influence the future composition of migrants from México and even Canada.[25]

Labor mobility was not included in the NAFTA negotiations. This does not mean, however, that "spontaneous market forces" are not operating. From the Mexican side, labor mobility policies have benefitted the United States while working against Mexicans and Central Americans. The policies have established U.S. migration posts, fostered an anti-union climate and ignored environmental controls.

These policies have also increased seasonal migration from México to the United States from 1.8 million in 1980 to almost 8 million in 1992. In other words, almost one-third of the Mexican workforce (a total of twenty-eight million workers) participates in segments of the U.S. labor market for at least a few months per year. According to the 1990 United States Population Census, in 1991 3.5 million Hispanic workers will participate in industrial activities such as manufacturing, construction and mining. These workers made up thirteen percent of the workforce in these industries.

Under NAFTA, manufacturing jobs will be lost. Almost one million jobs in small and medium-sized enterprises will be wiped out. This will increase urban migration to northern México and to the United States. Industries such as food and beverages, clothing, chemicals, petrochemicals, and precision instruments will suffer most. In agriculture, reduced state and private investment, fewer subsidies, and a credit squeeze aggravated by rising interest rates and reduced subsidies has already led to rising unemployment and migration.

Allowing the United States and Canada to import food and agricultural products into México has already displaced domestic production of traditional crops like soy beans, corn and wheat. Reforms to landholding laws have paved the way for financial and industrial capital to establish "agro-maquilas." Agro-maquilas will draw capital away from production of food that is necessary to meet domestic needs in order to supply the North American market with beef, fruits and vegetables. NAFTA will accelerate these trends and destroy jobs and increase rural migration.

25 Bãrbara Driscoll de Alvarado, *Migración a los Estados Unidos: nuevas reglas para los migrantes*, LA JORNADA, February, 1992, at 15.

Conclusion

Many economists now link Canada's recent recession with the Canadian-United States Free Trade Agreement. The same story is being repeated with México. Just as NAFTA is taking force, México has entered into one of its deepest recessions in modern times. This recession is attributable to industrial and financial deregulation and opening of trade that have resulted from México's EOI policy of the 1980s. Mexican labor standards are the lowest common denominator in North America, and with NAFTA the pressure for a deep deregulation of labor markets in the United States and Canada will increase.

Presently, unemployment is the main social problem in the NAFTA countries. Short-term prosperity cannot be expected from NAFTA. NAFTA will require an economic adjustment without restrictions, particularly with respect to labor markets. It is an assault on labor's rights. Productive and financial restructuring are an unfinished process, which means that new and extended social conflicts will be an essential part of the new North American trading bloc.

No one in México is opposed to increased trade among our countries. But, many oppose NAFTA because it is founded on cutthroat competition, not constructive cooperation. It allows the free flow of investments, profits, and products. Yet it restricts, under the banner of intellectual property rights, the dissemination of ideas, technology and know-how that are so vital for the development of backward economies.[26]

Instead of promoting democratic participation in society, NAFTA weakens unions and restricts the ability of working people to improve their lives. By treating as equal economies that are fundamentally unequal, NAFTA forbids the kinds of policies necessary to develop weaker sectors in each of the NAFTA countries. It is unacceptable that NAFTA thrives on poverty and advances only those parts of the economy that are profitable to national or transnational capital. Deepening asymmetries can be highly profitable in the short term, but, in the long term, they are socially costly and politically dangerous.

[26] Alvarez & Mendoza, *supra* note 8.