Agricultural Workers and the Effects of NAFTA: Uncivil Government Mentalities

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This paper will explore the economic and political structures that have stimulated the migration of Mexican agricultural workers to the United States and to the cities of Mexico. This analysis is part of a larger study that I wrote on U.S.-Mexico trade. The period of analysis ranges from 1990 to 2013. It is argued that the agricultural policies contained in the North American Free Trade Agreement, eventually, led to the financial ruin of small-scale farmers and, prompted greater levels of unemployment in the rural regions of Mexico. Based on data from the National Institute of Statistics and Geography (INEGI), it is estimated that approximately three million or more people whose primary occupation was agriculture lost their source of livelihood following NAFTA.

Theoretically, this paper argues that uncivil government policies were instituted which prompted the unemployment of Mexican agricultural workers. The Mexican government adopted neoliberal policies in the market place to push inefficient subsistent farmers out of the agricultural industry. The long-term plan was to move the displaced farmers into manufacturing occupations. These plan failed, as the Mexican government was unable to develop sufficient manufacturing jobs to incorporate the displaced agricultural workers. Many unemployed farmers sought economic relief in the United States, and were incorporated within the U.S. labor market. This paper concludes that the Mexican government's macro-structural agricultural plan has callously caused the social suffering of millions of people.

I. NAFTA and The Agricultural Structural Reforms

I begin with a brief description of NAFTA and the agricultural structural reforms that followed. The North American Free Trade Agreement (NAFTA) is a trade accord enacted January 1, 1994 between Mexico, the United States and Canada. Its purpose was to promote free trade and eliminate all tariffs within 15 years.

When the talks began. NAFTA negotiations between Mexico and the United States began in 1990, but were stalled after U.S. President George H. W. Bush required that Mexico privatize the oil industry before he signed the agreement. The Mexican Congress refused to negotiate, unless the oil conditionality proposal was dropped from the talks. President Raúl Salinas de Gortari supported the request, but acquiesced to congressional rule.

Once U.S. negotiators reluctantly conceded to the Mexican Congress oil stance, president Salinas, signed the agreement in 1993, and finalized the reforms Mexico had agreed to. He personally designed Mexico's agricultural policies (IMF 1994, SM/94/41), as well as other free market policies that Salinas believed would lead to Mexico's prosperity. They were part of Salinas' neoliberal philosophy-in which- less government intervention in the economy was necessary, if Mexican capitalist were to create great fortunes, and then expand employment for the common folk.

President Salinas' free market reforms, outside of the agricultural industry, included reducing regulations placed on businesses in order to reduce operation costs, and accelerating the privatization of state agencies. Salinas endorsed the neoliberal philosophy that the private sector could run state firms more efficiently than the government. Under his administration most state agencies were sold leaving only 215 out of 1,555 agencies owned by Mexico in 1980.

Salinas also began the process of eliminating most state regulatory operating business policies, specifically in the petrochemical and painting industry. Deregulation attracted hundreds of U.S. investors to establish maquiladora factories in Mexico. At first, President Salinas' free market approach appeared to be a monumental success as direct foreign investment increased to US$67 billion (Chávez 1996: 145). In late 1994, however, International Monetary Fund (IMF) staff warned President Salinas and the U.S. Treasury that unless the Mexican economy received a massive infusion of cash Mexico's financial collapse was imminent, and damaging to the U.S. economy (GAO 1996). A massive surge in undocumented migration to the United States would soon follow.

After the Mexican economy collapsed, the rural sector was devastated when Salinas' plans to restructure the agricultural industry became impossible to implement. *I now turn to why the free market agricultural reforms failed after the collapse.*

II. The Agricultural Reforms and Callous State Policies: 1990 to 1995

Before the U.S. government agreed to support NAFTA, President Salinas had to create free market conditions in Mexico's agricultural industry. Salinas began to implement policies in 1990. The U.S. government required that Mexico purchase American farm products and not block the entry of less expensive American food. The U.S. Treasury and the U.S. Department of Agriculture, had informed President Salinas, that the cost of food in Mexico would fall if several food staples, including corn were purchased from the United States. Purchasing U.S. corn was particularly important because American farmers produced corn at a significantly lower cost than Mexico, and corn was Mexico's main food staple**.** IMF economists agreed and projected that, if corn farmers were removed from the industry, the price of corn would fall by 38 percent and consumption rise by 18 percent (Larsen 1993: 4).

Salinas' Plan basically was that inefficient Mexican farmers would be pressured to leave the industry and when displaced from this occupation, they were to be absorbed within the manufacturing sector. Central to the plan was to remove most corn farmers.

President Salinas' vision. For Salinas removing a large percentage of the corn farmers from the industry was a monumental task since most farmers grew corn (Guerrero 2005). Salinas and NAFTA representatives knew that removing Mexican farmers from the industry would shock rural economies, but firmly believed that this was necessary to improve food production (IMF 1994, SM/94/41). President Salinas' restructuring plan consisted of three principle practices: 1) reduce the number of small-scale farmers by ending subsidies and reforming the ejido system, 2) reward productive farmers, and 3) terminate protective tariffs. Those who could survive these policies would do so because they were efficient farmers.

I begin my analysis of the infrastructure reforms with a short analysis of the ejidos.

a. Ejidos**.** President Salinas began the reforms by restructuring Mexico's communal land system, which is known as the ejido system. In 1992, the ejido system was terminated (Harvey 1998: 187). Article 27 of the Mexican Constitution was reformed, allowing owners of communal lands to privatize their property. Since 1917, to ensure ejidatarios had land to grow crops, the federal government prohibited communal lands to be sold. Salinas' structural plan was publically advertised as a policy that would convert the ejidatarios into private property owners, who would obtain credit by using their property as collateral. Though this was the rationale, Salinas had undermined their ability to obtain credit.

Two years earlier Salinas had reformed the banking system and made this improbable when Bancorural, the government's agricultural development aid bank, was partially privatized. Under new private management, credit was limited to farmers with substantial assets (Carton de Grammont 2000; Guerrero 2005). Farmers were classified under three categories to determine who was eligible to obtain credit. Small and mid-scale farmers did not qualify (Carton de Grammont 2000: 73). Only 15 percent of Mexican farmers continued to qualify, most of which were large-scale farmers. Salinas was trying to rapidly transition Mexico into a similar system as U.S. agribusiness.

b. Farm subsidies**.** Next, to further destablize the ejidatarios in 1993 President Salinas ended most farm subsidies. By 1999, most farmers did not receive any aid.

c**.** Tariffs. In 1994, when NAFTA took effect, President Salinas's tariff policies pushed most non-competitive farmers out of agriculture. Nearly all-agricultural tariffs were removed that year, and less expensive U.S. and Canadian crops flooded the market (Guerrero 2005: 166). This was a major setback for farmers since they received little to no financial assistance from the government to compete with U.S. agribusiness firms.

d. Taxing and privatization. Salinas' tax and privatization policies also made farming more expensive and difficult for farmers to earn a profit. For example, in 1992, the government began to lease federal public waters (streams, rivers), and farmers who could not afford to pay a fee became less productive or went out of business. Likewise, that same year, the government sold Fertimax, Mexico's main fertilizer company and the price of fertilizer rose.

III*.* What is the size of the displaced agricultural labor force*?*

In terms of the total percentage of the workforce the Instituto Nacional de Estadísticas y Geografía (INEGI) concluded that in1970, 40.6 percent of adults age 15 and above reported agriculture as their main occupation, but by 1997, the percentage had dropped to 20.8 percent (INEGI 2000: 114), and by 2012 it fell to 13.6 percent (INEGI 2012: 16).

The U.S. Department of Labor and the World Bank offered similar estimates on the number of displaced workers. The U.S. Department of Agriculture proposed that from 1991 to 2000 the number of Mexicans engaged in agricultural production fell from 4.3 million to 3.4 million (USDA 2004: 6). Likewise, the World Bank estimated that from 1995 to 2003 agricultural employment shrunk by half (World Bank 2005, vol 2: 119). Mexican government estimates were even more startling. INEGI found that in 1984, 8 million Mexicans reported agricultural work as their main occupation, by 2006 the number had dropped to 6 million, and by 2009 to 5 million (INEGI 1984: 9; 2009a: 1310; 2009b: 26).

IV. Did the price of corn decrease?

Now I turn to the question, as to whether NAFTA agricultural policies lowered the price of corn, as projected by the Mexican government, the U.S. Treasury and the IMF. From 1995 to 2000 the price of corn rose, leading to radical price hikes in Mexico's main food commodity-the tortilla. Based on 2009 Mexican congressional hearings, the price of tortillas had increased by 279 percent, and the price of corn was not projected to return to the pre-NAFTA prices (Cruz, Cruz and Aguilar 2009: 319; see USDA 2008: 10). Economists disagree why the cost of corn failed to fall as projected by the IMF and the Mexican government. Some economists propose that this took place because a Mexican owned firm named GRUMASA gradually monopolized the corn industry in Mexico and, without government regulation was allowed to repeatedly increase prices (Cruz, Cruz and Aguilar 2009: 486).

Other economist project that this was partly due to that U.S. corporations working with GRUMASA monopolized corn exports and increased the price of corn (Guerrero 2005; Lopez 2007; USDA 2004). For example, CARGIL, a U.S. corporation, owns 40 percent of imported corn sold to Mexican consumers, and 10 percent of corn produced in Mexican soil (Guerrero 2005: 195). CARGIL sells most of its corn to GRUMASA (USDA 2004: 3).

V. *I now ask, Were Mexican Farmers Incorporated in the Manufacturing Sector?*

No. To this date, the Mexican government has been unable to produce the needed manufacturing jobs to employ displaced agricultural workers. Manufacturing employment continues at the same level as in 1970. In 1970, 24.3 percent of the total workforce was employed in manufacturing, in 1995, 24.5 percent, and in 2009, 23.2 percent (INEGI 2000, 2009b, 2012).

VI. Where are the displaced farmers and agricultural laborers?

Many are living in the United States. Why? U.S. farmers need the agricultural workers, which Mexico estimates are around 3 million displaced farm workers. The U.S. Department of Agriculture estimates that approximately, 86 percent of farm workers who migrated to the United States in 1996 are undocumented, and 98 percent of those who entered in 2001 and afterwards (Kandel 2008: 11). These are conservative estimates as the data is based on the National Agricultural Workers Survey, which only collects data from farm workers who are permanent legal residents, U.S. citizens, and permanent farm employees.

In conclusion, the reforms in Mexico's agricultural industry represent callous state policies towards poor Mexicans. Excluding the presidency of Vicente Fox, the mentality of past administrations has been to allow structural economic theory to determine the fate of the masses. The Mexican federal government's traditional common sense logic has been- that those who are displaced from its failed economic plans will find employment some place because people must eat. In retrospect, Salinas' agricultural displacement and manufacturing absorption plan, has somewhat taken place, but not in Mexico. Displaced farmers have found new employment in the United States, but most have been converted to farm workers. I concur, with Nicholas DeGenova who in his text the "Deportation Regime" argues that when people are suffering and are hungry there are no borders (DeGenova 2010).

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