Free Trade for Whom?

By Harriet Mullaney

Different Visions.

The Central America Free Trade Act (CAFTA), which will define U.S. trading relationships with Guatemala, Nicaragua, El Salvador, Costa Rica, and Honduras, is the legal counterpart to Plan Puebla Panama (PPP) and is currently being negotiated. Familiarity with the North American Free Trade Act (NAFTA), encompassing the U.S., Mexico, and Canada, is critical in understanding what to anticipate from CAFTA and the proposed Free Trade of the Americas Agreement (FTAA). These plans share a well-coordinated goal: increase the economic power of U.S. transnational corporations, with as few restrictions as possible, by opening and integrating the markets of Mexico, Central America, and ultimately all of Latin America.

From a social justice perspective, economic integration should focus on human development and participation as the means for advancing economic development. This has not been prioritized and thus the structural roots of poverty remain:

- lack of education and health care.
- growing crisis in hunger.
- limited access to potable water and adequate housing.
- high unemployment.
- low wages.
- economically-motivated migration.
- loss of confidence in democracy.

Consideration of an alternative global vision that, as articulated at a women's conference sponsored by *Mesa Global* in Guatemala, would "reinvigorate the people of the world, based on communal principles of human, political, social, economic, and cultural rights" seems overlooked.

Unifying Theme.

Privatization, the sale of public services as barriers unfair to trade and competition, has been one of the foundations of the neoliberal trade model promoted by the World Bank (WB), the Inter-American Development Bank (IDB), and the International Monetary Fund (IMF). Privatization has taken on a new intensity under the Bush administration as a foreign policy strategy. Tom Barry (Interhemispheric Resource Center) describes this strategy as a *Global Pax Americana* that "envisions a world in which U.S. politics, culture, and economy are the coin of the realm, and where there are no existing threats to U.S. supremacy."

As Central American countries emerged from civil war and internal strife, they began economic reforms under the direction of the WB, IDB, et al. by lowering trade barriers, eliminating state subsidies, and selling social services. Throughout Latin America, there were 396 sales/transfers of public assets from 1986-99. Most citizens do not believe that privatization has benefited them. WB and IDB report that privatization has done nothing to improve Latin American fiscal positions and has deepened income inequality despite increased growth. Regardless, the course of action remains the same, including tacit approval of corrupt government partners.

The Mexican Test Case.

20 years of trade liberalization and 10 years under NAFTA foretell much of what can be expected for countries to Mexico's south. On the positive side:

- Trade and investment have been stimulated.
- Exports have grown annually at 10.6%.
- Foreign direct investment (FDI) has nearly tripled.
- Inflation has been curbed.

Unfortunately, the negative side of the ledger looms more ominous for Mexico and the fate of free trade elsewhere.

- Annual per capita economic growth was 1% from 1985-99, compared with 3.4% from 1960-80.
- Imports exceed exports, resulting in a balance of payments deficit.
- Despite manufacturing growth, jobs show a net loss since NAFTA.
- Real minimum wage is down 60% since 1982, and 23% under NAFTA.
- Households in poverty have increased by 80% since 1984, with 75% now below the poverty line.
- Inequality has deepened.
- Rural Mexico is in particular crisis—80% in poverty, and over half in extreme poverty.
- From 1985-99, rural soil erosion, municipal solid waste, and air pollution almost doubled.
- Since NAFTA, real spending on the environment is down 45%, and plant inspections have been halved.
- Increases in FDI have failed to bring cleaner technologies and higher environmental standards.

Pre-trade liberalized Mexico had many problems, but the free trade era has not been kind to the majority of Mexicans, making their lives harder and increasing economically-motivated migration. Mexico, mired in its own long history, has not been able to resolve these issues to the benefit of its citizens.

The agricultural sector has suffered under NAFTA, but not silently. Almost 100,000 campesinos marched on Mexico City on January 31 seeking renegotiation of NAFTA's agricultural provisions and calling for recognition of the non-market contributions of the campesino economy essential to national sovereignty, cultural diversity, and rural employment. Concern also exists over the cultural and health implications of Mexico's importation of 40% of its food. Campesinos are demanding national policies that respond to national needs.

A key issue revolves around the subsidies paid to U.S. agribusinesses that allow them to export grains at below cost. This practice, known as "dumping," is prohibited by NAFTA and the World Trade Organization (WTO). In 2001 alone, an estimated 5 million tons of U.S. corn were sold at a dumping margin of 25%. These practices have economic consequences for Mexican farmers, and also culturally assault a way of life and the crop central to it.

Chapter 11, NAFTA's investor-to-state dispute resolution clause, has been widely publicized over a $970 million lawsuit brought by the Canadian corporation Methanex against the U.S. to overturn a California law phasing out MBTE, a gasoline additive and suspected carcinogen. Less known is the $16 million judgment against Mexico for a suit brought by U.S.-based Metalclad resulting from San Luis Potosi residents refusing a toxic waste site. Such dispute resolution holds the potential to bankrupt nations.

The maquiladora industry, established along the border in 1965, grew exponentially post-NAFTA. Hundreds of U.S. assembly plants relocated there for the low waged workforce, the majority internally displaced. Now these companies are turning to even lower paid workers in Central America and Asia. In 2001, Mexico began to lose its appeal, and within 18 months lost 600 maquilas (250,000 unemployed). The development of maquilas in southern states is proceeding more slowly than originally anticipated. The history of Mexican maquilas exposes the fickle nature of a free trade environment.

The lessons to be learned from Mexico's experience cannot be overstated, and reveal the extent to which other economies throughout the Americas will be impacted by the proposed U.S. free trade agreements

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