

The Human Face of Poverty: Exploring Causes and Solutions

Lesson 4: NAFTA

Standards Addressed by Lesson: **CIVICS** Standard 3.3 Students understand the domestic and foreign policy influence the United States has on other nations and how the actions of other nations influence politics and society of the United States. (b,c,d) **ECONOMICS** Standard 2.3 Students understand that government actions and policies, including taxes, spending, and regulations influence the operation of economies. (d) Standard 3.1 Students understand that the exchange of goods and services creates economic interdependence and change (a – d). (a,e) **HISTORY** Standard 4.2 Students understand how economic factors have influenced historical events. (d,e) Standard 4.3 Students understand the historical development and know the characteristics of various economic systems.

Objectives of Lesson: To discuss the concept of free trade in the context of the North American Free Trade Agreement and its impact on Mexico.

Instructional Strategies: Discussion, skit

Preliminary Lesson Preparation: Students should have a basic understanding of neoliberalism and its components, one of which is free trade. This lesson should be preceded by the neoliberalism workshop.

Vocabulary: North American Free Trade Agreement (NAFTA)

Suggested Time: Between 50 and 60 minutes

Materials Needed: Props, newsprint and markers

Attachments: None

Lesson Outline

Introduction to Lesson:

Unless students already have a background in globalization and free trade, this lesson cannot stand alone. It is meant as a complimentary class or ‘case study’ to the previous two lessons.

Icebreaker / Quick Activity to Assess Prior Learning:

Begin by letting students know you would be interested in hearing what they know about NAFTA.

Points to highlight are:

- NAFTA is an agreement between Canada, Mexico, and the U.S. that outlines rules for how capital and goods will be traded between these countries. In theory, these countries are supposed to gradually eliminate trade barriers, import tariffs and quotas so that goods can flow freely between them. Free trade zones tend to attract foreign investors as they do not place many restrictions on how these investors spend their money. (e.g. labor laws, environmental protection, etc.) NAFTA and similar agreements do not outline rules for the movement of labor within the context of free trade.
- NAFTA was implemented at a time when Mexico's economy was suffering, the country's debt to the IMF and World Bank was high, and the country desperately needed jobs and foreign investment, i.e. Mexico was in a very weak negotiating position.

Activities

Activity 1:

Brainstorm NAFTA's Impacts

The +’s and –’s of NAFTA for Mexico (Similar charts could be created for Canada and the U.S. as a basis for comparison.)

POSITIVES	NEGATIVES
	Comparative advantage. What Mexico offers best is cheap labor. This contributes to a “race to the bottom” in terms of labor standards in an effort to attract foreign investors.
Mexico has a comparative advantage in goods like coffee whose prices fluctuate greatly in the world market.	The potential for price crashes, however, makes it dangerous for Mexico to rely on earnings from these crops.
Privatization: Privatizing state-owned industries will make them run more efficiently, and the price should be cheaper for consumers.	Prices for these privatized services have gone up because the government is no longer ensuring a low cost for consumers. Also, private companies often lay off workers to cut costs. Privatization also reduces the revenues available to the government for providing public services.
	NAFTA has resulted in lost jobs in U.S. manufacturing and the undermining of tens of thousands agricultural sector jobs in Mexico. The latter has prompted a significant increase in economically forced migration from Mexico to the U.S.
It is much easier for U.S. corporations to build factories in Mexico, creating new jobs.	Enforcement of labor protections and environmental standards are minimal in free trade zones established in Mexico.
Increased trade between Mexico and its NAFTA partners facilitate closer diplomatic relationships as well. (Exception: Mexico's stance on Iraq.)	

Increased exports brings more money into the Mexican economy as a whole.	
Increased foreign investment in Mexico (from \$9.5 billion in 1995 to \$11.6 billion in 1999).	
Mexico has more currency to pay back debt (by cutting subsidies and public spending).	Reduced social services for the Mexican people. Those groups who had previously received government support (i.e. farmers) now have it harder.

Let's look at some statistics and see what story they tell:

What does Mexico look like right now after 10 years of NAFTA?

NAFTA has created a lot of growth for the economy, more import earnings, more foreign investment. However, increasing the size of the economic pie, does not necessarily mean that everyone gets a bigger slice. Since there is a decrease in the role and power of the state, it is less capable of dispensing economic earnings more equitably. Instead those who are rich get richer while the poor get poorer.

- The debt has increased from \$100 billion in 1994 to \$128 billion in 2001.
- The minimum wage in Mexico is \$4.30 a day.
- The buying power of the peso fell 40% between 1995 and 2000. So, if in 1995, what you were earning covered all of your living expenses, that same amount would cover only a little over half in 2000.
- To pay for the basic needs of a family of 6 in Mexico, three to four minimum wages are needed.
- 16% of Mexicans survive on \$1 a day, living in extreme poverty.
- 60% survive on of \$2 a day and live in poverty as of 2001. In 1994, only 50% lived on \$2 a day.

Mexico, a country that throughout most of its history was able to grow enough corn and beans to feed its people, now is the second largest importer of corn from the U.S.

Activity 2:

NAFTA Skit

Role Play: This is an example of a model that can be adapted to show how other producers are affected by NAFTA.

Situation:

Recruit volunteers to represent Mexican corn farmers, corn producers, U.S. corn producers, U.S. government, and Mexican government. Conduct a skit to illustrate how NAFTA is played out and how the rules of the game impact the different actors. The objective is for students to step into the characters' shoes and to consider the situations and dilemmas they face.

Develop, distribute and explain the props (subsidies to U.S. corn producers, subsidies to Mexican farmers, bags of corn to U.S. producers and Mexican producers). Then explain that we are going to negotiate the NAFTA agreement and this skit talks about how corn farmers in Mexico are impacted. The following descriptions form the basis for the dialogue and action:

U.S. government: With this free trade agreement we need to be able to export more corn to Mexico and the import taxes need to be reduced. Those are the rules. Another rule is that you need to stop giving economic support to your corn producers. (See below: U.S. continues to give help to its own corn producers.)

Mexican government: Sounds good to me. I'll cut those subsidies and that will save me money. (Walks over and takes subsidies away from Mexican producers.) I'll take that subsidy for seeds, fertilizers. Oh and I won't be giving you money in case your crop fails.

U.S. corn producers: We still receive our economic help from the U.S. government (large U.S. farmers received 9 million in 1999) AND now we can sell a whole lot of our corn to Mexico. Before NAFTA, we only sold just under a million tons of corn a year to Mexico and NOW IT'S 6 MILLION TONS A YEAR!

Mexican government: (saying to the Mexican consumer) Well now we are importing 6 million tons of corn a year and it's much cheaper than the Mexican corn. You don't make a lot of money, you are probably poor. So which corn are you going to buy?

Mexican consumer: I'm going to buy what is less expensive. I'll buy the U.S. corn.

Mexican Farmer #1: I'm not getting any help from the government; U.S. corn is cheaper and there is a lot of it being dumped into Mexico. No one will buy my corn. I don't know what I'm going to do.

Mexican Farmer #2: My family has been growing corn for generations. We have lived on this farm for many years. If I can't sell corn anymore, I just don't know what I'm going to do.

Debriefing of the role play:

As a result of NAFTA, the Mexican government is required to cut subsidies to corn farmers, meaning the government no longer provides economic support to these farmers. The government has also reduced its barriers to trade, so that U.S. agribusinesses (large corporate farmers who in this case produce corn) are now able to sell their corn to Mexico. This scenario looks only at the economic impacts on the corn market in Mexico. It does not explore the cultural impacts on the crop central to the lives of the Mexican people. (It would be an interesting project for students to research the role of corn in the lives of indigenous people.)

Does NAFTA truly bring economic well-being to a majority of Mexico's poor? Who are the actors? Who are the winners? Who are the losers? Who has the power in this model? Who sets the rules? Do all parties obey the rules that are set? Is there any process of appeal? What are the students' thoughts about the situation created by a free trade agreement?

Note:

Depending upon instructor's knowledge of other free trade agreements, e.g. CAFTA, this lesson can be expanded to include discussion and comparison of the implications of other agreements.

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