

Did NAFTA Help Mexico?

An Assessment After 20 Years

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Did NAFTA Help Mexico?

- Since NAFTA, Mexico ranks 18th of 20 Latin American countries in growth of real GDP per person, the most basic economic measure of living standards.

Latin America: Average Annual Growth Per Capita, 1994-2013

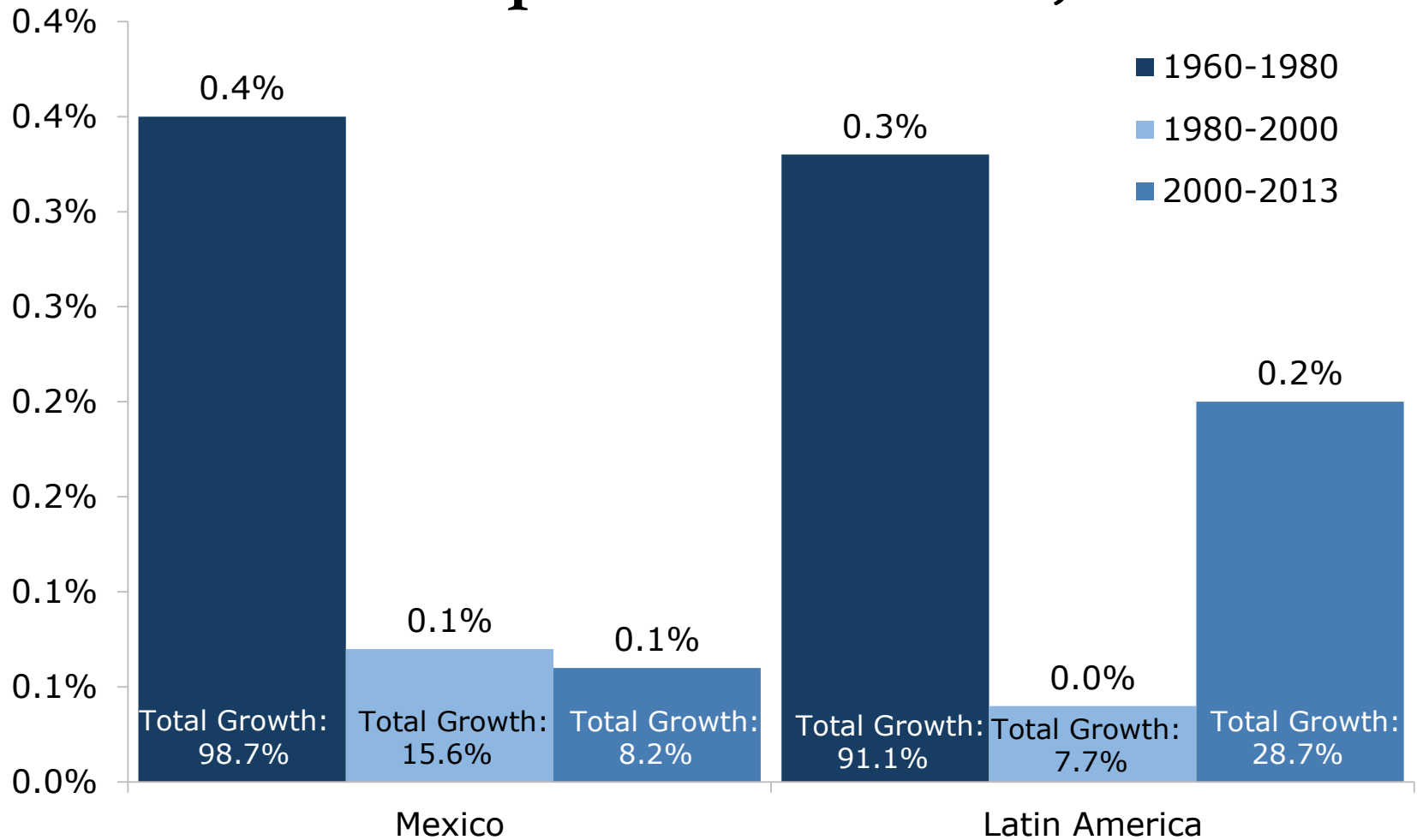
1	Panama	4.4%
2	Chile	3.4%
3	Peru	3.4%
4	Guyana	3.0%
5	Costa Rica	2.5%
6	Uruguay	2.5%
7	Argentina	2.5%
8	Suriname	2.4%
9	Colombia	2.1%
10	Nicaragua	2.0%
11	El Salvador	1.9%
12	Ecuador	1.9%
13	Brazil	1.8%
14	Bolivia	1.7%
15	Honduras	1.6%
16	Belize	1.5%
17	Paraguay	1.0%
18	Mexico	0.9%
19	Venezuela	0.8%
20	Guatemala	0.6%

Source: IMF (2013), Feenstra, Inklaar and Timmer (2013), authors' calculations.

Did NAFTA Help Mexico?

- From 1960-1980, Mexican GDP per person almost doubled, growing by 98.7 percent. By comparison, in the past 20 years it has grown by just 18.6 percent.

Mexico and Latin America: Average Annual Real Per Capita GDP Growth, 1960-2013

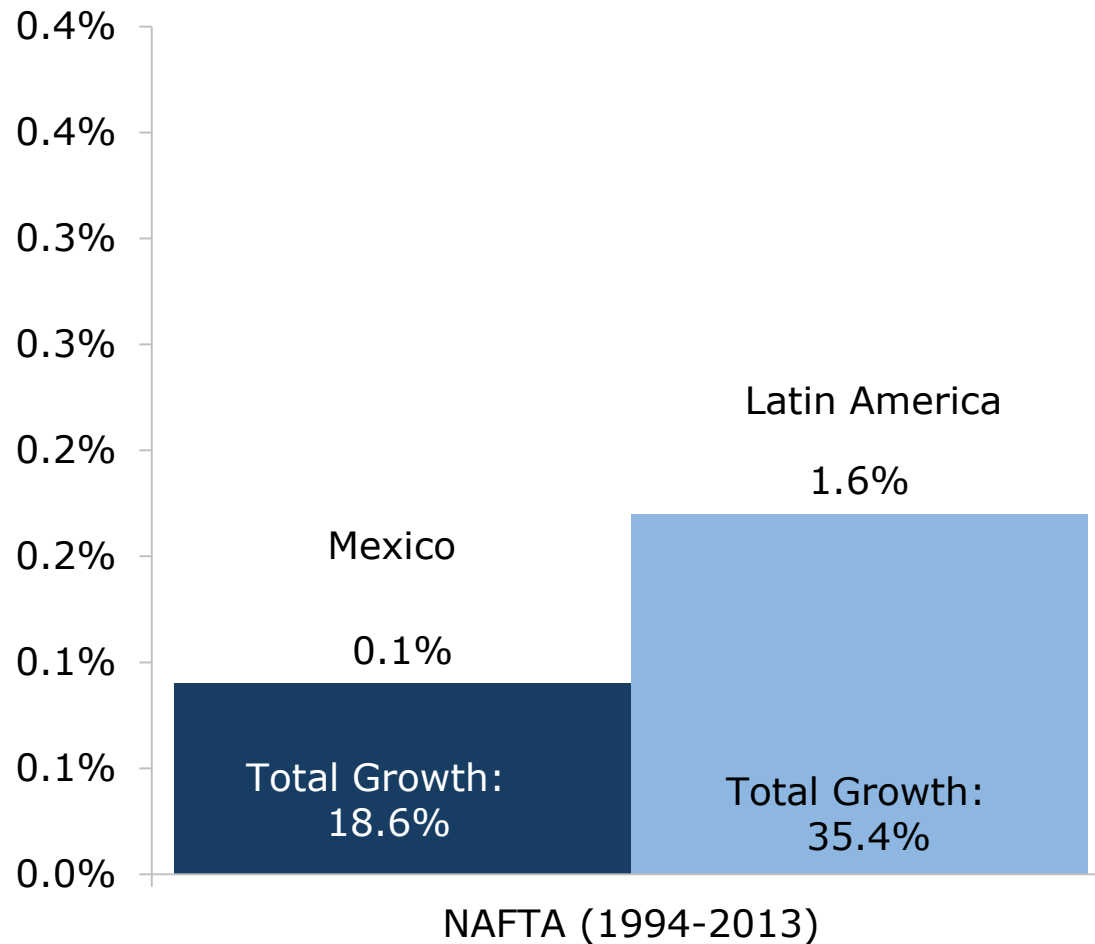


Source: IMF (2013), Penn World Tables 8.0. See methodology from in Wiesbrot and Ray (2011).

Did NAFTA Help Mexico?

- Mexico's per capita GDP has grown just 18.6 percent over the past 20 years, which is about half the growth achieved by the rest of Latin America.

Mexico and Latin America: Average Annual Real Per Capita GDP Growth, 1994-2013

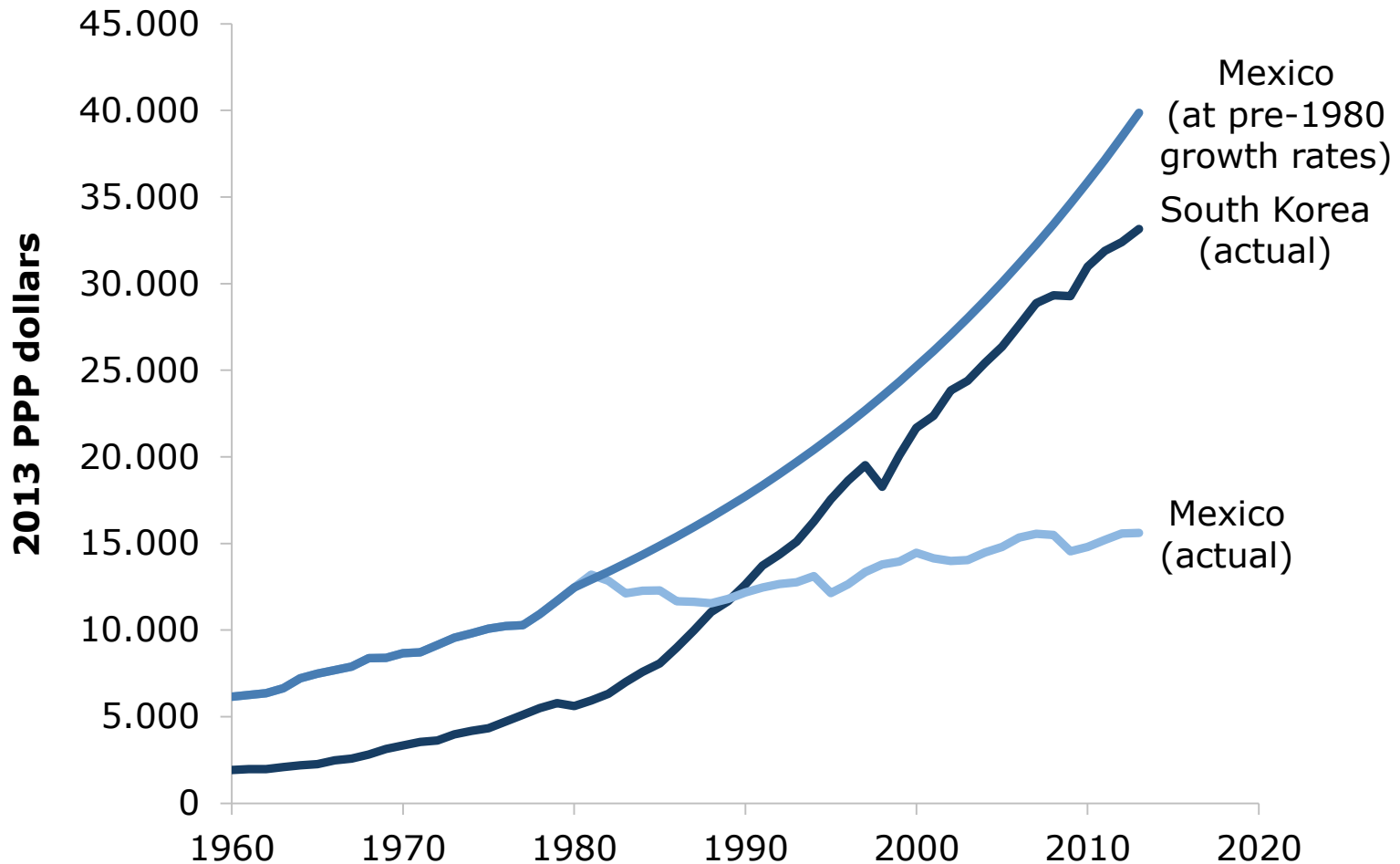


Source: IMF (2013a).

Did NAFTA Help Mexico?

- If NAFTA had been successful in restoring Mexico's pre-1980 growth rate – when developmentalist economic policies were the norm – Mexico today would be a relatively high income country. It is unlikely that immigration reform would be a major political issue in the United States, since relatively few Mexicans would seek to cross the border.

Mexico and South Korea: Real GDP Per Capita, 1960-2013

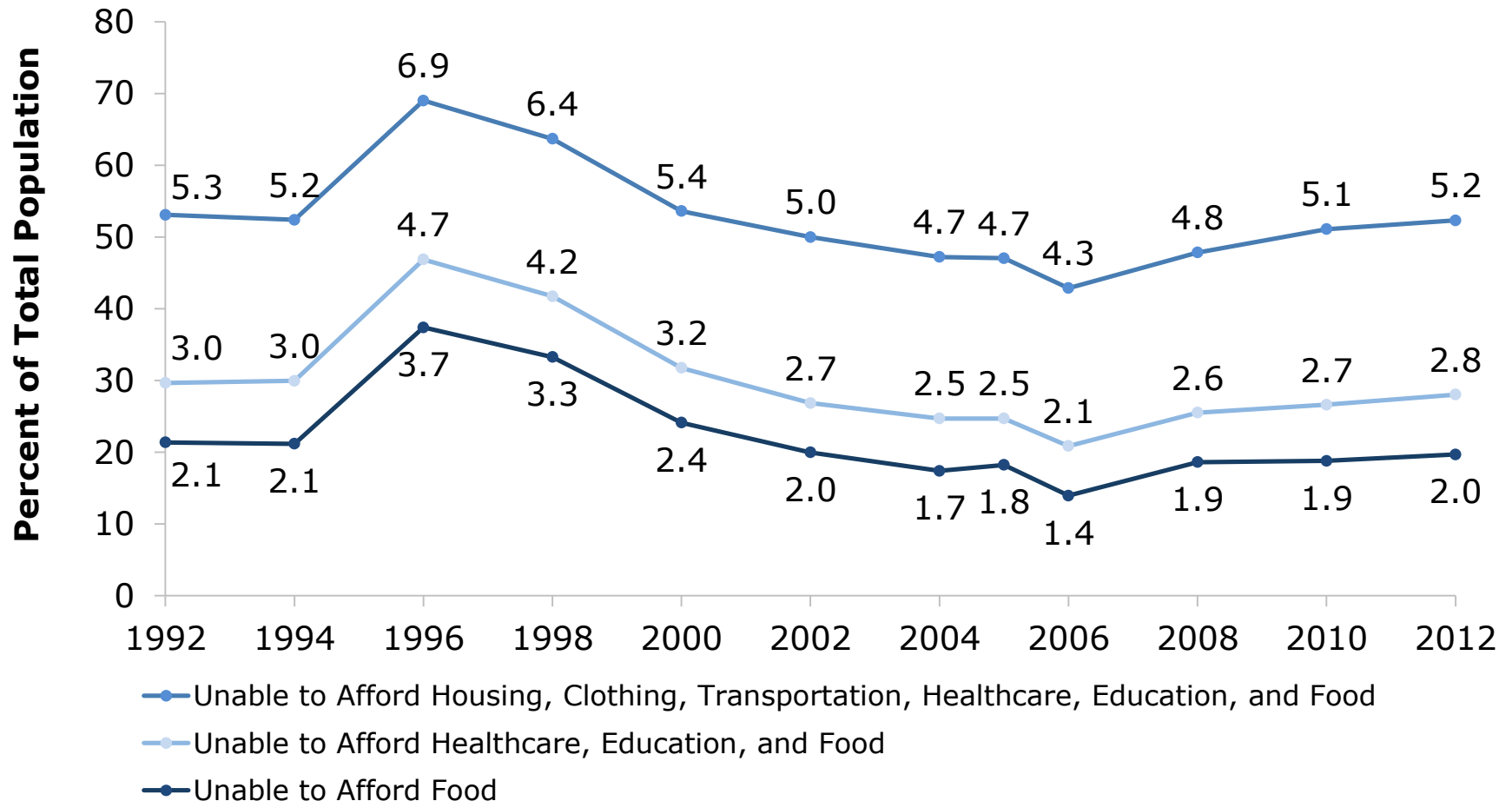


Source: IMF (2013a).

Did NAFTA Help Mexico?

- According to Mexican national statistics, Mexico's poverty rate of 52.3 percent in 2012 is almost identical to the poverty rate of 1994. As a result, there were 14.3 million more Mexicans living below the poverty line as of 2012 (the latest data available) than in 1994.

Mexico: Poverty Levels Based on Consumption Baskets (CONEVAL)

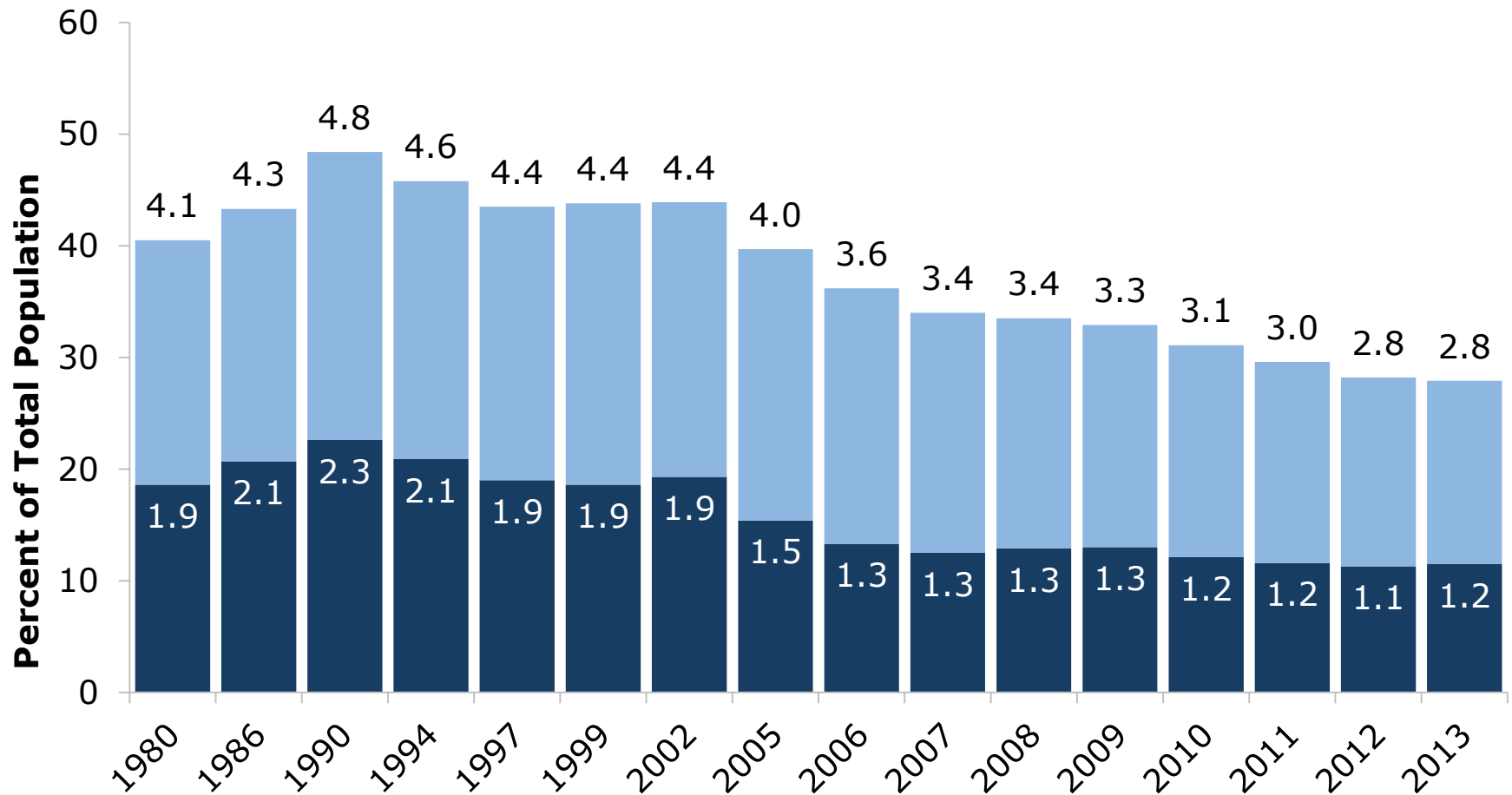


Source: CONEVAL (2014).

Did NAFTA Help Mexico?

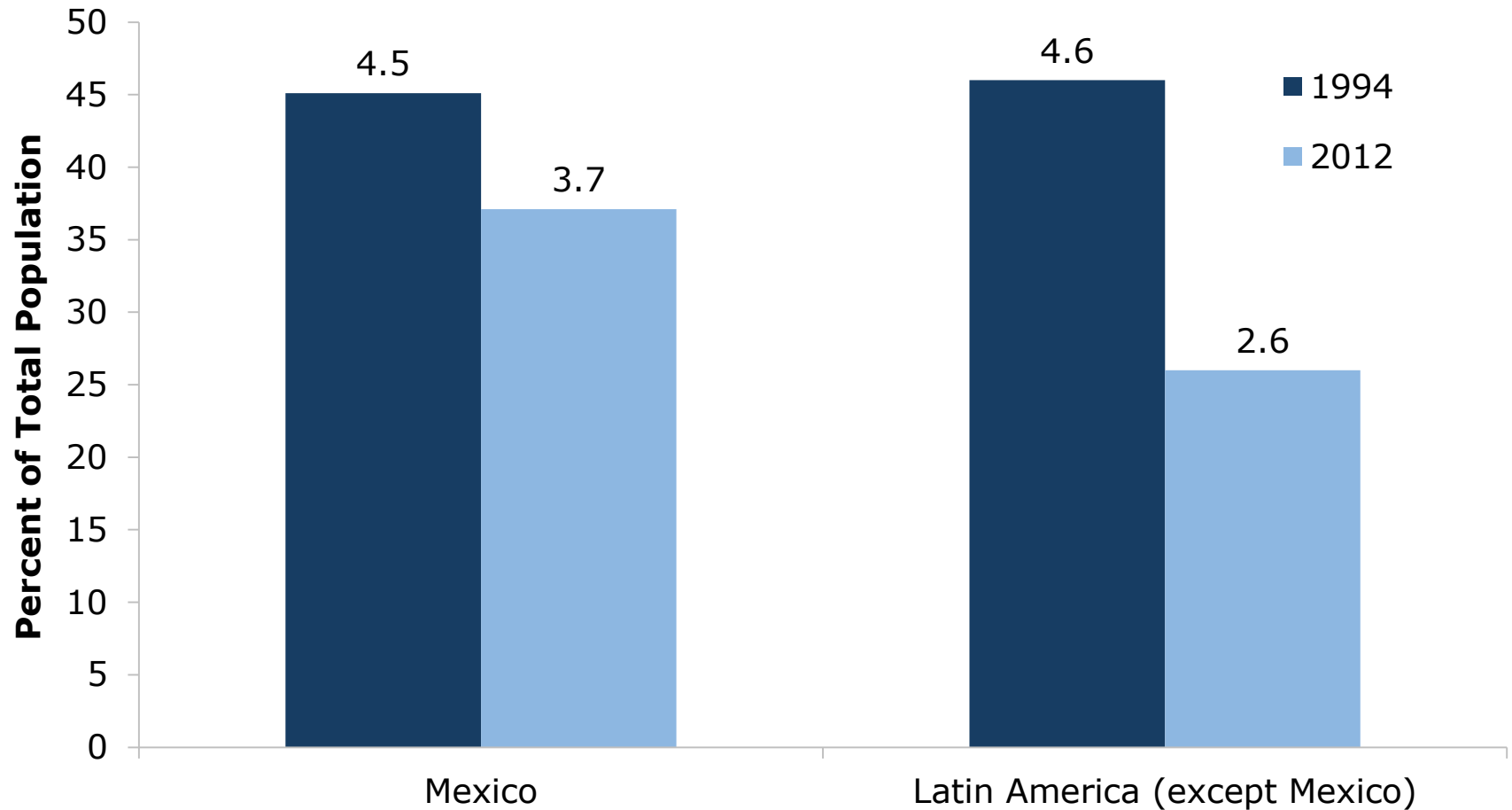
- We can use the poverty statistics of the ECLAC to compare Mexico's poverty rate with the rest of Latin America. According these measures, the rest of Latin America saw a drop in poverty that was more than two and a half times as fast as that of Mexico.

Latin America: Poverty and Extreme Poverty (ECLAC)



Source: ECLAC (2014).

Mexico and Latin America: Poverty, 1994 and 2012 (ECLAC)

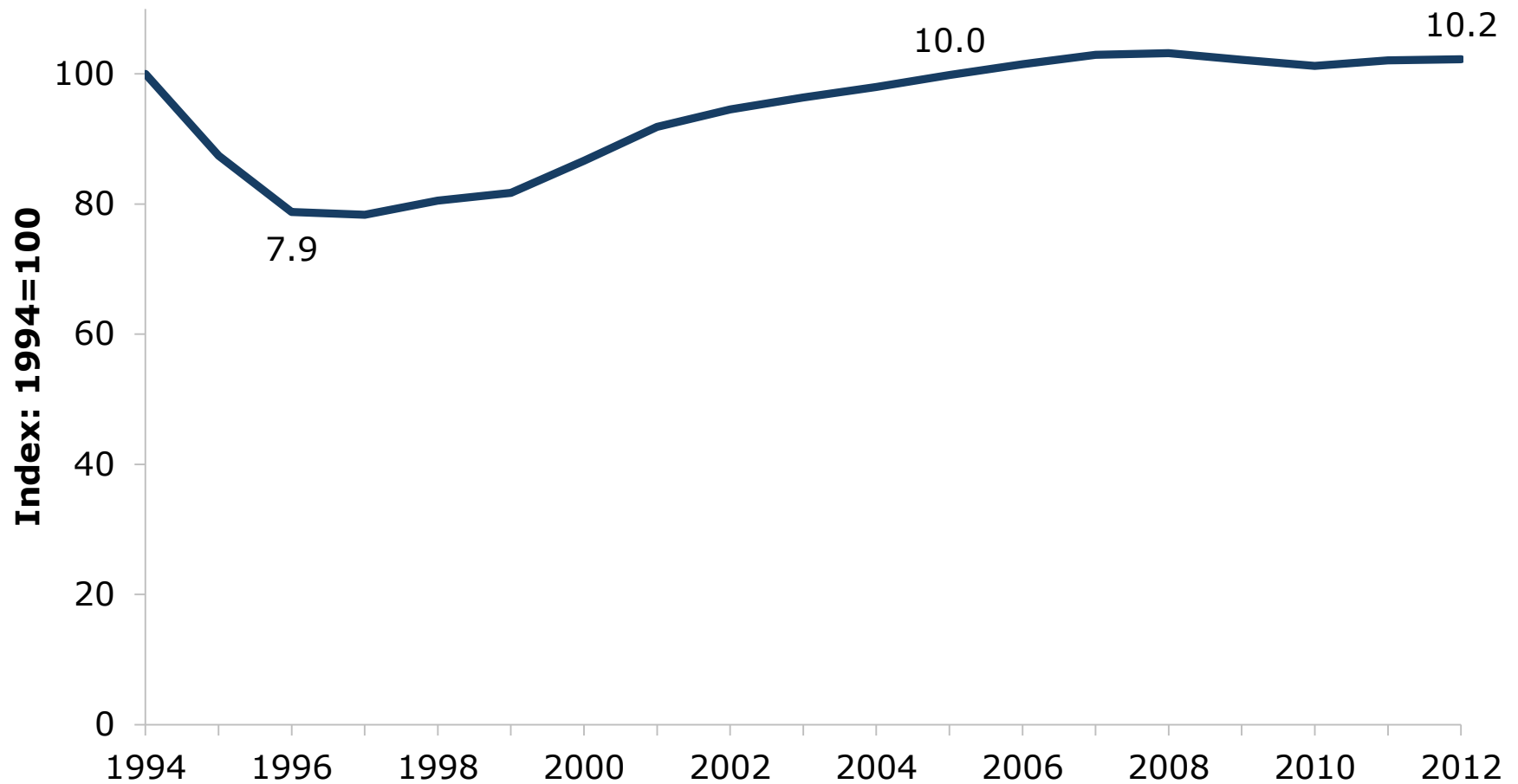


Source: ECLAC (2014b).

Did NAFTA Help Mexico?

- Real (inflation-adjusted) wages for Mexico were almost the same in 2012 as in 1994, up just 2.3 percent in 18 years, and barely above their level of 1980.

Mexico: Real Average Wages

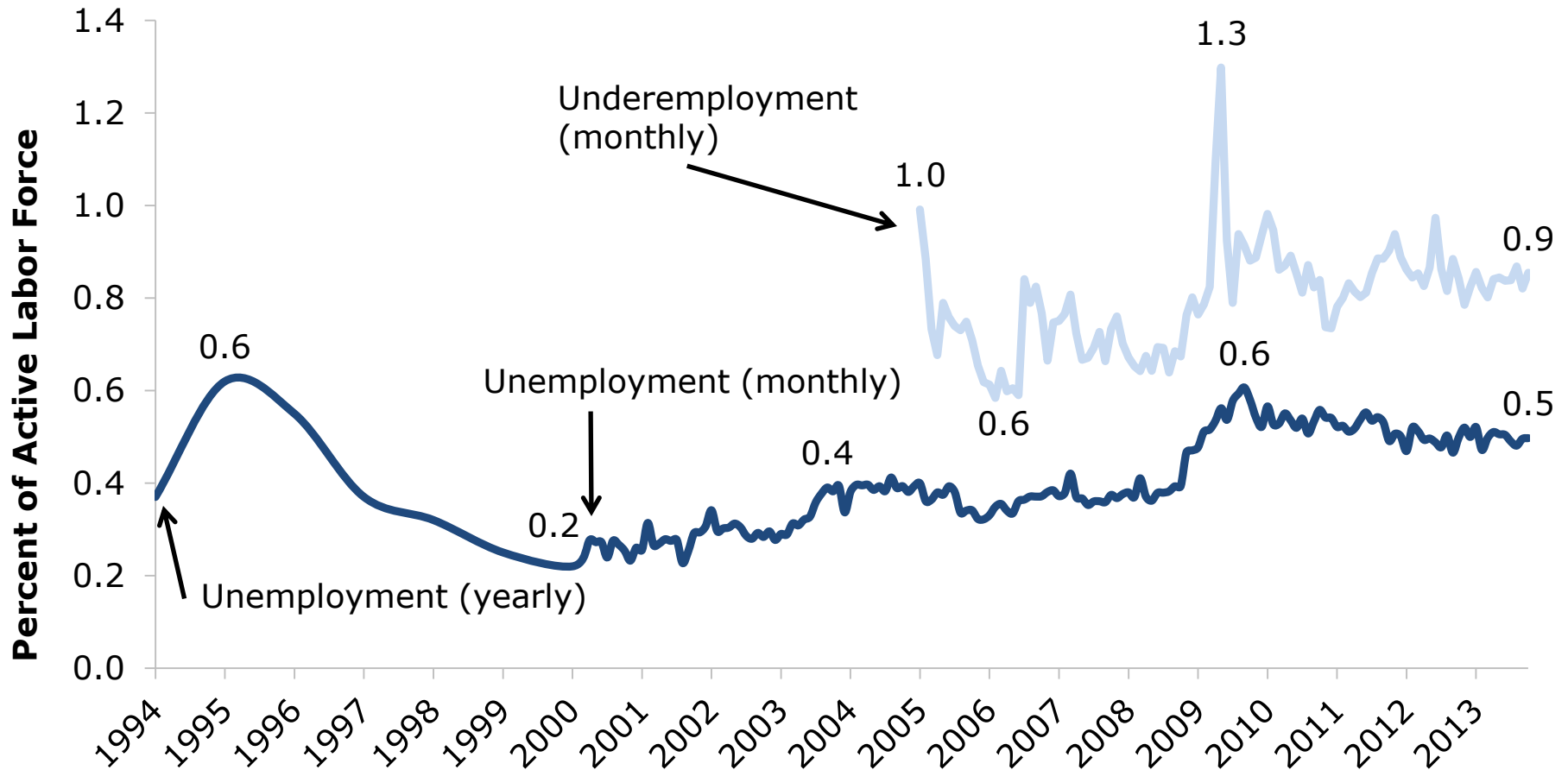


Source: ECLAC (2014b).

Did NAFTA Help Mexico?

- Unemployment in Mexico is 5.0 percent today, as compared with 2.2 percent in 1994; these numbers seriously understate the true lack of jobs, but they show a significant deterioration in the labor market during the NAFTA years.

Mexico: Unemployment and Underemployment, Seasonally Adjusted



Source: INEGI (2014), CESOP (2005).

Did NAFTA Help Mexico?

- NAFTA also had a severe impact on agricultural employment, as U.S. subsidized corn and other products wiped out family farmers in Mexico.

Mexico: Employment in Agricultural And Forestry, from Agrarian Census

	1991	2007	Percent Change
Family*	8,370,879	3,510,394	-58%
Remunerated Total	2,305,432	5,139,793	123%
- Permanent (more than 6 months)	427,337	420,989	-1%
- Seasonal (less than 6 months)	1,878,095	4,718,804	151%
Total	10,676,311	8,650,187	-19%
* Family and other workers who are not paid in cash are sometimes listed as "non-remunerated."			

Source: Adapted from Table 1 in Scott (2010).

Did NAFTA Help Mexico?

- The very poor performance of the Mexican economy contributed to a surge in emigration to the United States.
- From 1994-2000, the annual number of Mexicans emigrating to the United States soared by 79 percent.

Annual Immigration from Mexico to U.S. and Mexican-Born Population in the U.S.

Annual Immigration from Mexico to the U.S.	
(in thousands)	
2010	140
2009	150
2008	250
2007	280
2006	390
2005	550
2004	670
2003	570
2002	580
2001	580
2000	770
1999	700
1998	600
1997	470
1996	490
1995	570
1994	430
1993	370
1992	400
1991	370

Source: Passel, Cohn and Gonzalez-Barrera (2012).

Mexican-Born Population in the U.S.	
(in thousands)	
2011	11,987
2010	12,323
2009	12,565
2008	12,551
2007	12,558
2006	12,043
2005	11,653
2004	11,356
2003	10,661
2002	10,426
2001	9,734
2000	9,444
1990	4,500
1980	2,199

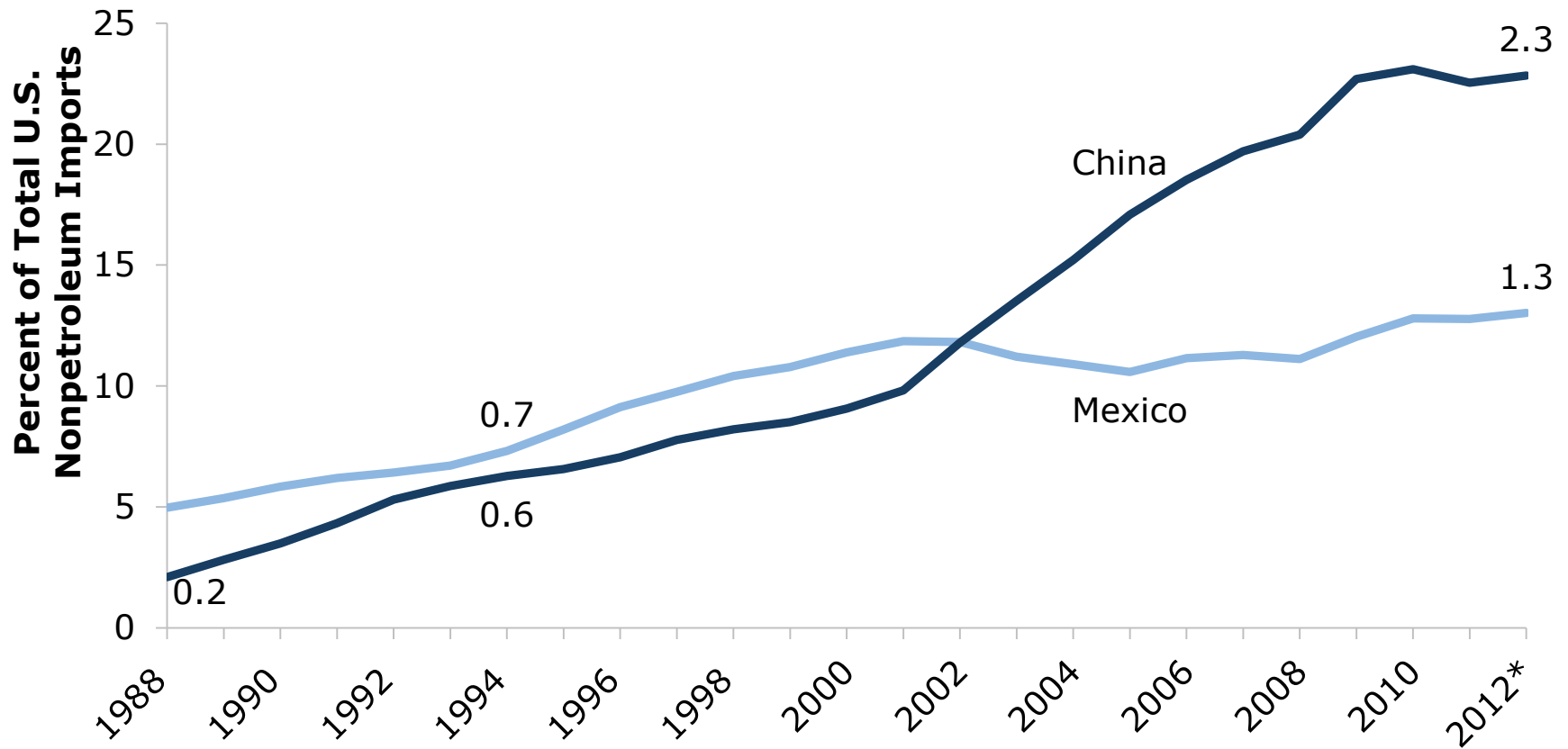
Source: Passel, Cohn and Gonzalez-Barrera (2012).

Source: Adapted from Passel, Cohn and González-Barrera (2012).

Did NAFTA Help Mexico?

- It is very tough to compete with China in U.S. market:
 - Mexico is a higher wage country
 - China competitive exchange rate vs Mexico inflation targeting
 - 70 percent of Mexican banking system foreign owned
 - China has industrial policy, control over finance

United States: Nonpetroleum Imports From Mexico and China

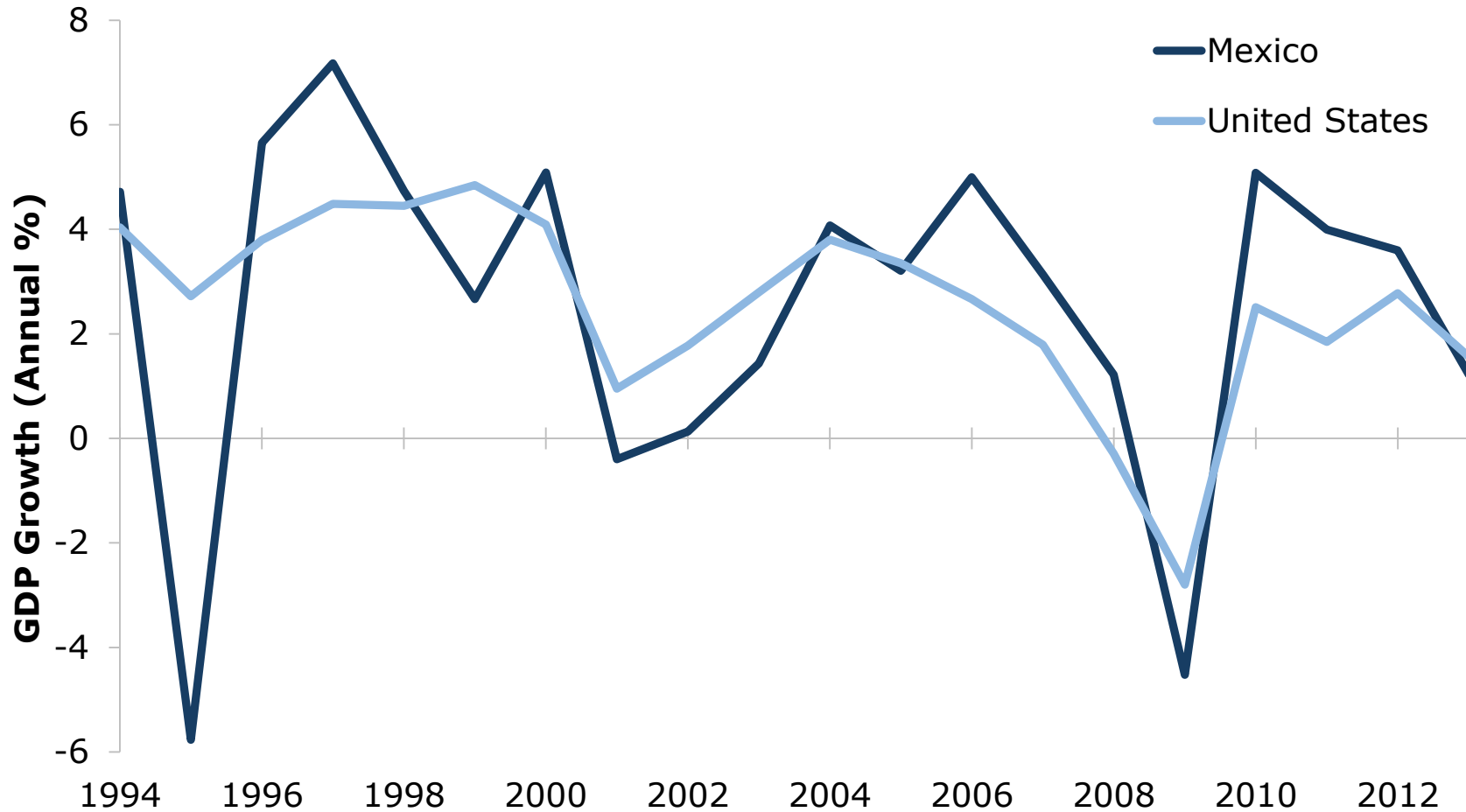


Source: IMF (2013).

Did NAFTA Help Mexico?

- NAFTA also increasingly tied Mexico to the U.S. economy, at a time when the U.S. economy was becoming dependent on growth driven by asset bubbles

Mexico and the United States: Annual GDP Growth



Source: IMF (2013a).

Conclusion

- The main purpose of NAFTA was to lock in and expand upon a set of economic policies, some of which were already well under way in the decade prior, including the liberalization of manufacturing, foreign investment and ownership, and other changes.
- The result has been a failure by almost any comparison of economic and social indicators
- After 20 years, these results should provoke more public discussion as to what went wrong.