

# Globalization and its Impact on Current Politics:

## NAFTA and the Colossuses of the North

Laura Lobe

According to Goldstein and Pevehouse (2009), one of the most common definitions of globalization rests on “the widening, deepening and speeding up of the worldwide interconnectedness in all aspects of contemporary social life” (p. 17). As specified in the work for the mentioned authors, we seem to have various perspectives that examine the concept of globalization itself. However, we understand what the idea implies: the interrelation among different nations – with their respective cultures, economies, and forms of government – utilizing the tools of trade, logistics, and exchange of information. The different impacts of such an important phenomenon cannot be underestimated. In the case of the United States, we can find globalization as the driving force creating not only an international playground, but also adverse effects that at times seem to outweigh the benefits.

On January 1<sup>st</sup> of 1994 an international concession that came into effect would change the economic, social, and political sphere of North America. The North American Free Trade Agreement had a goal to create a free trade zone by removing challenges to trade, and creating an accommodating atmosphere to encourage trade while diminishing governmental interference (“Understanding NAFTA,” 2010). This exchange

and competition of goods and services created a more open marketplace for the participant nations. However, in the case of the relationship between Mexico and the United States, the former seems unable to enter a fair and balanced competition with the beast of the North.

When entering the agreement, Mexico expected to reduce its foreign debt and inflation, as well as create a stronger workforce with better remunerated jobs that would secure a higher percentage of its citizens in the nation, instead of continuing their migration to the United States (Wise, 2007, p. 29). Before entering the affiliation with Canada and the United States, Mexico had gone through a climate of political and economic turmoil ("Historia de la Economía Mexicana," 2010). In the 1970's, the finding of new oil fields south of the Rio Grande encouraged the government of José López de Portillo to develop a new plan of action for the Mexican economy (Zorrilla, 2004). The government wanted to take advantage of not only the newly discovered oil fields, but also the low interest rates, and high oil prices. A series of international loans were requested to invest in the exploitation of the oil fields and production of oil products. Mexico expected to create solid economic growth that would benefit the country. Unfortunately, the plan did not reach the expected success, resources were not distributed appropriately, and Mexico suffered the inflation of the national peso. The early 1980's brought a series of events that would drastically change the national economy; accompanied by the fall of oil prices and interest rate increase, Mexico suspended payment of its foreign debt, nationalized various industries and suffered the devaluation of its national currency. With a challenged economy, and under new government, inflation kept rising. It was not until the period of Carlos Salinas de Gortari

that Mexico, from 1988 to 1994, would see a very small economic growth and limited strengthening of the Mexican peso. However, the middle and lower socio-economical classes seemed to have suffered the worst consequences.

At the time of entering the NAFTA agreement in 1992, one of the main goals of the United States was to strengthen its trade, and through this create a more robust workforce (Easterly, Fiess, Lederman, Loayza and Meller, 2003). In the 1980's, and under the administration of Ronald Reagan, the inflation of the dollar declined, and unemployment rates decreased (Niskanen, 1993). During the same period of time and into the 1990's, the United States lived in an era in which the national debt drastically increased (U.S. Department of the Treasury, 1999). Starting in 1994 under the administration of Bill Clinton, the unemployment rates saw a decrease, reaching an outstanding low of 4% in 2000 (U.S. Department of Labor, 2010a).

The rationale for the free trade encouraged by NAFTA seems to be that since goods would not to be subjected to international tariffs, signing would create greater market competition, and more benefits for the nations involved – and their consumers – due to them having fewer expenses. The lack of interference from government created an atmosphere that responded to the international and national markets by depending on supply and demand, or “promote conditions of fair competition”(“Understanding NAFTA,” 2010). NAFTA also aimed to aid in the development and support of better trade and working conditions, while expanding the market for U.S. goods.

Undoubtedly, the arrangement has provided more choices for American companies to invest in other countries – and take advantage of lower wages and

regulations. The free competition has created a market in which better, more efficient, innovative, and accessible goods and services are able to compete at the national level, without governmental limitations. Likewise, the average American participates in this relationship by the simple fact of being a consumer, and through that, dictating the direction of the national and international markets. Also, it was expected that this avoidance of numerous barriers to commerce would create a friendlier atmosphere for goods and services for the United States, creating more job opportunities for the general population (Easterly et al., 2003). However, according to the United States Department of State, we can clearly see a greater presence of American companies in Mexico compared to years previous to the existence of NAFTA. Currently 18,000 corporations with American inversions have operations on Mexican land, and 40% of the total investments in the country come from the United States (2010). These companies produce a variety of goods, some believed to be as American as apple pie, such as Chrysler, Ford, General Motors, IBM, and Sara Lee (Gereffi, 1999, p. 6).

After analyzing some basic economic and political aspects of Mexico and the United States, and the goals of NAFTA, we could expect to believe that, almost twenty years later, free trade would have been proven right. However, today millions of individuals in America lack a job, and many others are underemployed. The national unemployment rate reached 9.8 in November of 2010, and as much as 14.2 in Nevada (U.S. Department of Labor, 2010b). Some of the most affected areas are the ones focused on the manufacture industry, retail, leisure and hospitality, among others. Of course, the economic crisis, unemployment, and the still damaged and current situation of the

United States cannot be blamed solely on the policies of free trade. However, we cannot deny its importance as a relevant factor.

Besides unemployment, we must note other factors such as underemployment, and reduction to wages. Logically, with a workforce suffering the hunger for jobs, companies are not obligated to provide better wages for their employees. This lack of jobs and the divisions in incomes directly contribute to the growing inequality among socioeconomic classes. As a theory, NAFTA promised more American jobs, income, and better living standards. America was eager to have the opportunity to easily commercialize its products across the border, and supply Mexicans with goods and the American quality of life.

When NAFTA was created, it was expected that by opening a bigger window for industries, it would diminish the income gap of Mexican workers. Since individuals would have access to more jobs, it would prevent them from migrating to the United States in increasing numbers. However, that was not the case. In the 1980's, Mexican immigrants were estimated to be just over a million individuals, being half of the total illegal immigrant population. In the 1990's, the American population grew at a rate of 13.2%, while the rate of growth of Mexican immigrants reached 60% (U.S. Department of Homeland Security, 2010). In October of 1996 the number had grown to almost 2 million, and to 8.9 million in March of 2009 (Passel and Cohn, 2010). In the case of the lack of jobs, we cannot solely blame NAFTA for the increasing numbers of illegal immigrants. However, we must understand the correlation that exists. When we can observe the differences of Mexican versus American wages, we seem to find a logical

response. The median American worker received an hourly wage of \$ 10.97 in 2009 (U.S. Department of Labor, 2009). In Mexico, the median wage is \$ 1.85 (Diario Oficial de la Federación, 2010). Even more shocking is the Free Trade Zone in Mexico, where the average workers make \$ 0.75 per hour.

In the Northern part of Mexico, where many communities are based on agriculture, the outcome of NAFTA has been more than evident. In those areas, the ejidos provided a source of income and resources for families (McCarty, 2008). Ejidos are public lands, promoted by the government to be used by the communities, being commonly utilized for agricultural purposes. According to the Constitution of Mexico, the land was protected to guarantee the sale of the same, and the ownership of the communities. In 1991, Salinas de Gortari was able to modify the law and make ejidos private, and allowed the sale of the same. To understand the importance of these lands, we must examine the numbers. These territories formed over 29,000 communities, 75% of the agricultural industry, and three million producers (Davis, Stecklov and Winters, 2002). With American corn enjoying agricultural subsidies, making it more competitive, Mexican farmers would not see profits when cultivating the same product, on which a high percentage of the Mexican agriculture was based. The free market happened to be very costly for the campesinos, or Mexican farmers, without the resources to compete with subsidized corn. Without a reason to keep their land, they were forced to sell; and, since companies at the other side of the Rio Grande were looking to expand their horizons with the newly created NAFTA, we cannot be surprised to see these corporations acquiring the territories. Campesinos, who still need to support their families, now work for incredible low wages for many of the same companies that enjoy

the benefits of NAFTA. When faced with low wages and terrible working conditions – which is a different issue all in itself –, and the growing number of illegal immigrants from Mexico, we cannot help but see the correlation.

As previously mentioned, we cannot attribute the current outsourcing of employment, international competition, or illegal immigration solely to the basics of free trade, NAFTA specifically. But this factor must be taken into consideration as one of the variables shaping the economic outcome to which we have arrived. In the political sphere, the issues of lack of jobs and illegal immigration have caused a turmoil affecting local governments, the White House, and Capitol Hill. During the 2010 elections, 46% of people expected to cast their vote mentioned unemployment rates a very important factor influencing their vote. The figures were higher only for the economy and health care, with 57% and 49% respectively (Jones, 2010). However, with an elevated number of jobless Americans, we cannot help to notice the current dilemma regarding unemployment benefits, and their extension.

Individuals who have exhausted their unemployment benefits, including extensions, for 99 weeks find themselves out of resources (Lowrey, 2010). Currently, there are about a million unemployed individuals who fall into this category. When analyzing the numbers of people lacking a job for a period longer than 6 months, we can notice how it comprises over 7 million individuals. This seems to prove the importance of unemployment and the economy for voters as a direct correlation, not mere coincidence.

To fully understand the impact of illegal immigration on politics, and vice versa, it is important to keep in mind current and past statistics. However, we cannot help but notice, even among the many differences, certain tendencies in American political campaigning during the last years. From Barack Obama's culminating speeches with yelling "Si se puede" in 2008, to John McCain launching Spanish-language ads, the influence seems to be evident. With changing demographics and a clearly higher number of illegal immigrants since the creation of NAFTA, candidates can no longer ignore the power of the Mexican-American minority. Immigration appears to be a subject very close to the hearts of Mexican-Americans, competing with the economy, healthcare, and education (Khan, 2010). Many feel responsible for the individuals they share a similar background with, but who cannot vote. At times, they do not need to go far to find these situations, since it is not uncommon to find Mexican-American voters with relatives and friends that happen to be undocumented. "These voters are the voice of thousands" Shahid Freeman, a community activist, asserted in a recent local political event.

The impact of the minority group seems to be evident in the states such as Nevada, California, Texas, and Arizona. Majority Leader Senator Harry Reid was able to win his reelection thanks to the stunning support of Latino voters, many of them of Mexican ancestry ("Latino vote," 2010). According to the polls, as much as 15% of Nevada voters during November's elections were of Hispanic origin, with approximately 68% percent of them supporting the Democrat Harry Reid. In this case, the territory itself used to be part of the Mexican state of Alta California until the Treaty of Guadalupe Hidalgo in 1848 (Gray, 2010). The lines of borders drawn on the territories separated not only land, but

also the inhabitants of the same, pulling families and cultures apart. Additionally, and due to its geographical location, the state of Nevada has a substantial influx of Hispanics, most of them being from south of the border. When we add this factor to the side-effects of NAFTA, we can clearly understand the correlation of the issue to illegal immigration. This evidence supports the fact of the crucial and growing influence of Mexican-Americans; politicians cannot afford to ignore the minority factor.

The real face of NAFTA is a face of hopelessness. It can be seen in the American worker used to work in the manufacture industry, on the face of the illegal immigrant, and in the tired eyes of the agricultural worker in Northern Mexico. NAFTA not only meant the exploitation of Mexican workers, but also the loss of American incomes. The lack of jobs has affected American politics, with different the different sides of the aisle differing in ways to resolve issues dealing with job creation, unemployment rates, and benefits. The only winning party in this equation seems to be the multinational corporations, leaving farms, industries, and families devastated on both sides of the border. The ideal creation of new markets and more investments attributed to the unintended consequences of globalization. We should not sell the livelihood of families for the greed of companies; we cannot allow the outcome of NAFTA to continue to bite America back.

## References

Latino Vote Decisive in Key Battle Ground States -- WASHINGTON, Nov. 3, 2010

/PRNewswire-USNewswire/ --. (2010, November 3). *PR Newswire: press release distribution, targeting, monitoring and marketing*. Retrieved December 10, 2010, from <http://www.prnewswire.com/news-releases/latino-vote-decisive-in-key-battle-ground-states-106635658.html>

Freeman, S. (Director) (2010, October 21). Alex Sink for Governor of Florida. *The Early Vote Rally with Alex Sink and Bill Clinton*. Political address conducted from Miami-Dade College North Campus, Miami.

Caldwell, P. (n.d.). As Long-Term Unemployment Deepens, 99ers Look for Answers | The Washington Independent. *The Washington Independent*. Retrieved December 10, 2010, from <http://washingtonindependent.com/86700/as-long-term-unemployment-deepens->

DOF - Diario Oficial de la Federación. (2010, September 9). *DOF - Diario Oficial de la Federación*. Retrieved December 10, 2010, from [http://dof.gob.mx/nota\\_detalle.php?codigo=5158497&fecha=09/09/2010](http://dof.gob.mx/nota_detalle.php?codigo=5158497&fecha=09/09/2010)

Easterly, W., Fiess, N., Lederman, D., Loayza, N., & Meller, P. (2003). NAFTA and Convergence in North America: High Expectations, Big Events, Little Time. *Economia*, 4(1), 1-53.

Gereffi, G. (1999). A Commodity Chains Framework for Analyzing Global Industries. *Duke University Publications*, 1, 4.

Government - Historical Debt Outstanding - Annual1950 - 1999. (n.d.). *TreasuryDirect*. Retrieved December 9, 2010, from [http://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt\\_histo4.htm](http://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo4.htm)

Gray, T. (n.d.). The Treaty of Guadalupe Hidalgo. *National Archives and Records*

*Administration*. Retrieved December 10, 2010, from

<http://www.archives.gov/education/lessons/guadalupe-hidalgo/>

Goldstein, J. S., & Pevehouse, J. C. (2009). *International relations*. New York: Pearson Longman.

Historia de la economía mexicana. (n.d.). *Economia.com.mx - Economía y finanzas para todos en Clubplaneta*. Retrieved December 9, 2010, from

<http://www.economia.com.mx/mexico.htm>

Illegal Alien Resident Population. (n.d.). *Dhs.gov*. Retrieved December 9, 2010, from

[www.dhs.gov/xlibrary/assets/statistics/illegal.pdf](http://www.dhs.gov/xlibrary/assets/statistics/illegal.pdf)

Jones, J. M. (n.d.). Voters Rate Economy as Top Issue for 2010. *Gallup.Com - Daily News, Polls, Public Opinion on Government, Politics, Economics, Management*. Retrieved December 10, 2010, from <http://www.gallup.com/poll/127247/voters-rate-economy-top-issue-2010.aspx>

Khan, H. (2010, October 25). Vote 2010 Election: Could Hispanic Voters Make the Difference in Toss-Up States? - ABC News. *ABCNews.com - ABCNews.com: Breaking News, Politics, World News, Good Morning America, Exclusive Interviews - ABC News*. Retrieved December 10, 2010, from <http://abcnews.go.com/Politics/vote-2010-election-hispanic-voters-make-difference-toss/story?id=11950727>

Mexico. (n.d.). *U.S. Department of State*. Retrieved December 9, 2010, from

<http://www.state.gov/r/pa/ei/bgn/35749.htm>

Niskanen, W.A. (1993). Reaganomics. *The Concise Encyclopedia of Economics*. 1993. Library of Economics and Liberty. Retrieved December 10, 2010 from the World Wide Web:

<http://www.econlib.org/library/Enc1/Reaganomics.html>

Passel, J., & Cohn, D. (2010, September 1). U.S. Unauthorized Immigration Flows Are Down Sharply Since Mid-Decade. *PewResearchCenter.org*. Retrieved December 9, 2010, from <http://pewhispanic.org/files/reports/126.pdf>

Understanding NAFTA. (n.d.). *Understanding NAFTA*. Retrieved December 9, 2010, from <http://www.naftaworks.org/>

U.S. Bureau of Labor Statistics. Month, May 2009 National Occupational Employment and Wage Estimates. *U.S. Bureau of Labor Statistics*. Retrieved December 9, 2010, from [http://www.bls.gov/oes/current/oes\\_nat.htm#00-0000](http://www.bls.gov/oes/current/oes_nat.htm#00-0000)

Wise, C. (2007). Great Expectations: Mexico's Short-lived Convergence under NAFTA. *CIGI Publications*, 15, 29.

Zorrilla Salgado, J. P. (n.d.). La historia económica de México (un resumen bajo la óptica sobre riesgo) | GestioPolis. *GestioPolis.com | Administración | Economía | Emprendedor | Finanzas | Marketing | Recursos Humanos*. Retrieved December 9, 2010, from <http://www.gestiopolis.com/canales2/economia/histomex.htm>