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Mexican Corn Growers' Exposure to NAFTA

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Abstract: ***Due to excessive tariffs and taxes, the United States, Canada, and Mexico countries had minimal trade, and regional agricultural farmers in Mexico flourished through a lack of competition. To combat this and to spur economic growth, US President Ronald Reagan wanted an agreement that led to millions of corn growers in Mexico losing jobs and being displaced due to increased competition from American farmers and cheaper crops. Based on this, there is a proportional relationship between the loss of jobs in Mexico and displacement into new countries, primarily America. The primary purpose of NAFTA was to increase job opportunities in the labor industry and allow cheaper goods to be sold to populations. The ability of Mexican corn farmers to secure lands, and crops, and compete with outside markets is crucial to the Mexican economy and their regional consumers. In the following study, I have discussed what NAFTA is, and how it affects Mexican corn growers. The studies in correlation might align with the expansion of competition that will assist in the loss of land and more displacement into cities or new countries.***

Keywords: NAFTA consequences, Mexican corn farmers, agricultural displacement, cross-border migration, trade policy and rural economy

1. Introduction

Due to the growth in the economies of America and Canada, Mexico was greatly affected by the increase in imports that were coming. This slowed the growth of the Mexican economy to about 1% in 26 years, from the 48% increase from the 20 years before NAFTA. As NAFTA was implemented with new laws, the economy increased as there was a consumer price drop, an increase in the exportation of crops, and many new labor and manufacturing jobs, but a decrease in the amount of local, small corn farmers, due to increasing in competition from America.

1) Research Focus

There is a significant focus on the economics of the Mexican economy, in this case, agriculture.2 main research characteristics stem, which include Land loss and Immigration. **Land loss** centers around rural sustenance farmers losing their lands and income. It derives from the problem of increased competition and cheaper products for goods from other countries. Though this, might help consumers but won't help Mexico's corn growers or the agricultural sector. **Immigration** began increasing after NAFTA was enacted. As the Mexican economy went down and job loss increased, people began traveling to America. Undocumented immigrants increased from 1992, and in 2002, 60% of immigrants were undocumented. To help combat this, Mexico has introduced harder borders to pass and more military personnel to find and send the immigrants back as well as instituting more programs for jobs.

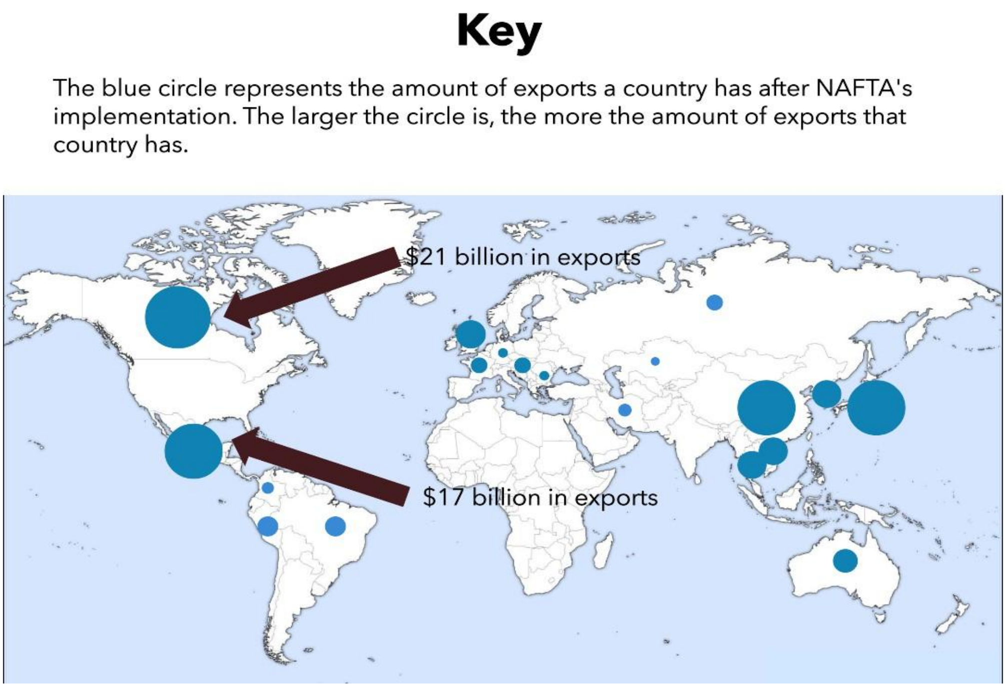
2. NAFTA implications on Mexican corn growers

1) Background

NAFTA was a strong trade agreement to shore up economies in several countries. It helps reduce the number of tariffs and taxes to stimulate trade and produce more jobs. For instance, before NAFTA, Mexico was locally producing and selling their corn at a high price, but after, they could import corn for a cheap price and sell it for cheap, helping the consumers. If NAFTA were to fail, then the economies of Mexico, the US, and Canada would decrease as crop prices would increase and people would lose their jobs in the importing/exporting trade. NAFTA was designed to increase trade and manufacturing and possibly bring Mexico's standard of living up to the US and Canada. NAFTA was originally signed in 1992 but was agreed to be implemented in 1994. The document consisted of several articles that stated that tariffs were gradually reduced from January 1, 1994, to January 1, 2008. There are four separate provisions that NAFTA offers, *elimination of trade barriers, intellectual property protections, environmental and labor protections, and dispute resolution.* The elimination of trade barriers offers little to no taxes to encourage trade between the 3 countries. In Intellectual Property Protections, NAFTA protected trade secrets and computer software to encourage business trade. Labor Protection banned child labor abuses while Environmental Protection introduced a commission to assess the results of environmental regulations. The dispute regulation was a process that tried its best to dissolve disputes between investors, businesses, and state governments.

2) Model Setup

The model has a structure that defines the backbone of its system. In theory, reduced tariffs and taxes should stimulate economic growth and increase trade between countries, especially in agriculture. In ideal situations, more jobs should be created due to more trade, and consumer prices should go down due to an increased supply of goods. The main goal of the deal was to transcend the economy and the GDP of the 3 countries.

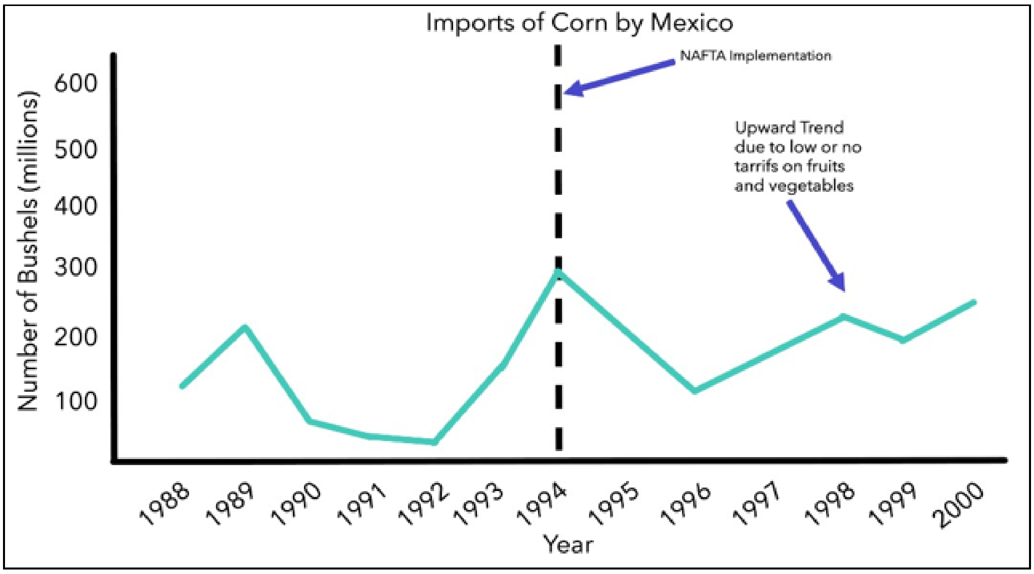


The model illustrates 2 main concepts in which the Agreement would be built: *importing* and *exporting.* Importing is where a country imports goods or services in return for money or other goods of equal value. Importing is standard when a country does not have enough goods or services to sustain the needs of its people. In contrast, exporting is where a country produces goods or services and sells them abroad. For instance, America is commonly exporting agricultural products in mass, thus reducing food prices in Canada and Mexico and also causing people to lose jobs due to an increase in competition.

3. Implications

Functionality

NAFTA mainly centers around cutting tariffs and taxes between countries while spurring enormous trade increases. The exporter must follow the rules and regulations which NAFTA requires before allowing the goods to be exported tariff - free while the importer doesn't have to do anything. The product can only have no taxes if the exporter fills out a NAFTA Certificate of Origin form. If the product is greater than 1000 USD, then the exporter has to fill out a written declaration stating that the product is NAFTA - qualifying. After filling out the documents necessary, the exporter needs to send a copy of the Certificate of Origin to the importer while also including one with the shipment. The exporter must keep the Certificate of Origin with them for at least 5 years for proof of transaction. The issuer of a written document should have it for at least 5 years in Canada or at least 10 years in Mexico from the date of importation to show that the good qualifies under the NAFTA rules of origin.



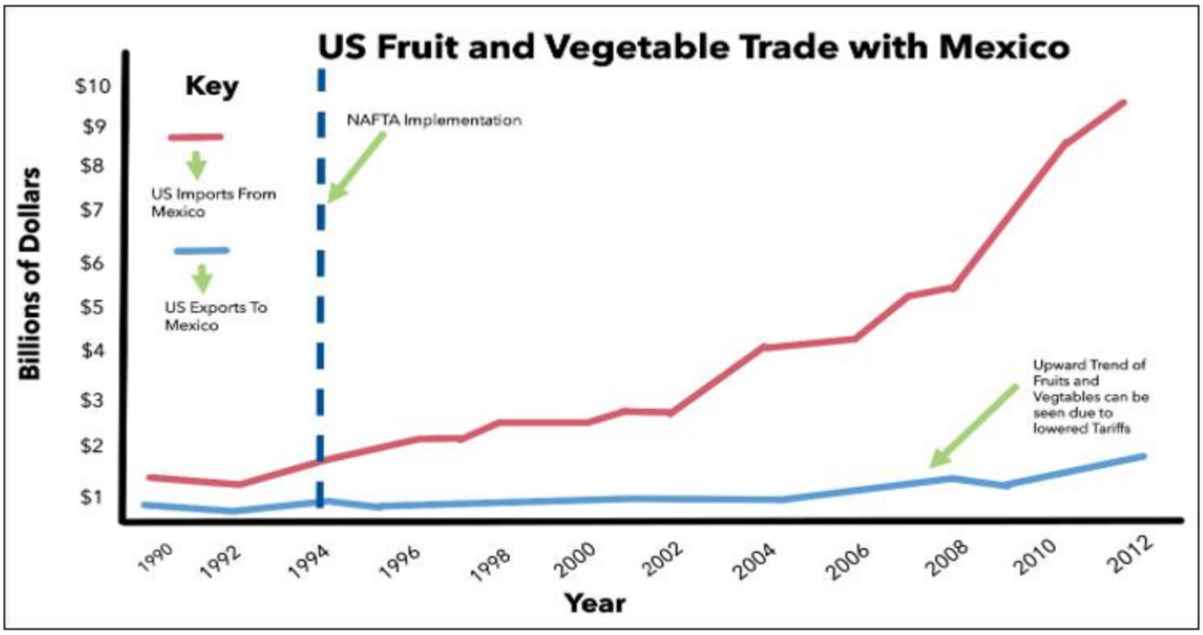
4. Illustration

An illustration can be used to further understand the NAFTA model:

Let's say that tariffs and taxes were no longer there due to NAFTA.

- We know that there would be an increase in trade between the US, Mexico, and Canada, especially in the agricultural sector.
- NAFTA enforces the idea that as trade productivity increases and consumer prices decrease, then competition in Mexico's local farms would steadily increase and corn growers would steadily start losing lands and jobs from lack of income.

Mexico could *import* more corn from America due to reduced tariffs, so competition would increase and small - scale farmers would lose jobs. In desperation, they immigrated to America in search of jobs that matched their skill set.



5. Restrictions

Though the implementation of NAFTA is useful for lowering consumer prices, reducing taxes and tariffs on trade, and boosting the economy, drawbacks constrict the model's effectiveness.

One limitation of NAFTA was increased competition for Mexican farmers and tremendous job losses in Mexico. This caused slow growth in the Mexican economy and a massive wave of immigration to the US. Another limitation of NAFTA was that there was an increase in pollution and deforestation in all 3 countries due to increased competition. This could lead to a lower oxygen supply and unclean water for local populations around rivers.

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