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NEWS ANALYSIS

Placing Blame for Mexico's Ills

The economic policies of the U.S. are at the heart of Sunday's presidential contest.
By Marla Dickerson, Times Staff Writer
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TLACHINOLA, Mexico — Francisco Herrera Sanchez is not an economics expert and knows little about globalization. But the octogenarian says he knows that something has gone terribly wrong with U.S.-backed trade policies that were supposed to lift millions of Mexicans from poverty.

He has seen hundreds of residents flee this farming community for the United States since 1994, when the North American Free Trade Agreement began opening Mexico's markets to more low-cost U.S. agricultural products. He feels his neighbors' absence in the meager receipts at his tiny grocery in this hamlet about 3 1/2 hours southeast of the capital. "The riches are up there," said the 85-year-old widower, referring to the U.S. Here "there is nothing, not even music. Just silence, like a dead man hanging."

Many Americans are angry that as many as 12 million illegal immigrants, mostly Mexican, are living in the U.S., driven by lack of opportunities at home. Critics are demanding that Mexico right its stumbling economy, create jobs for its people and end its de facto development strategy of shipping its problems north of the border.

But some experts say U.S. economic policies have played a role in fueling the mass exodus. Pushed hard by the United States, Mexico began embracing the Washington-backed prescription of privatization, free trade and government austerity in the early 1980s. A quarter of a century later, the results are decidedly mixed and are the heart of Sunday's cliffhanger presidential election in Mexico.

The contest pits leftist Andres Manuel Lopez Obrador, who wants to boost social spending and rethink the NAFTA relationship, against conservative Felipe Calderon, who wants to maintain Mexico's policy on free trade and open the country's state-controlled energy sector to private investment. Their divergent views reflect the soaring achievements and bitter disappointments that have accompanied Mexico's economic restructuring.

Strict fiscal and monetary discipline has helped Mexico rise Lazarus-like from its devastating 1994 peso devaluation. Inflation is tame. Interest rates are relatively low. The government's books are balanced, and Mexico's debt is rated investment grade. It was a stunning comeback for a nation that had a history of lurching from one financial crisis to another.

"It's stability," said President Vicente Fox in an interview this year. "This is a big, big change in Mexico."

Yet the so-called Washington consensus has done little to spur economic growth, reduce income disparity, create jobs and stem migration to the U.S.

Consider the landmark NAFTA agreement.

Proponents point to the nearly threefold leap in trade between the United States and Mexico as proof of the pact's success. NAFTA has vaulted Mexico into Latin America's premier exporter and given it a fat trade surplus with the United States. Yet the agreement has yielded little in the way of net job creation or in helping to build the vibrant Mexican middle class that supporters promised.

U.S. and Mexican officials touted the deal as a way to stanch the flow of illegal immigrants by creating jobs in Mexico. The tide of undocumented Mexicans in the U.S. surged after the pact was implemented. Fully two-thirds of undocumented immigrants currently living in the United States have been there 10 years or less, according to the Pew Hispanic Center.

Many of those people are Mexicans from hard-hit rural areas, the predictable casualties, NAFTA critics say, of a trade deal that forced Mexico to wrench open its farm sector without a viable transition strategy for millions of subsistence farmers.

Adjusted for inflation, Mexico's growth in gross domestic product has been flat for more than two decades. The cost to Mexico's people for this dismal performance is staggering. If Mexico's economy had grown at the same pace from 1980 to the present as it did in the period from 1960 to 1980, today it would have the same standard of living as Spain, said economist Mark Weisbrot, co-director of the Center for Economic Policy and Research in Washington. Instead, nearly half of Mexico's 106 million people live in poverty.

"It's hard to reduce poverty and create employment when you don't have growth," Weisbrot said. "To have 25 years of this rotten economic performance, you'd have to conclude something is wrong."

Some analysts contend that Mexico simply hasn't moved far enough and fast enough down the free-market path, while botching earlier reforms. Privatizations such as the 1990 sale of the state-owned telephone company essentially replaced public monopolies with private ones. Mexico's inefficient state-owned energy companies are harming its competitiveness. Red tape and corruption are strangling innovation.

But Weisbrot and others contend that some free-market policies simply haven't delivered and are contributing to the immigration friction that has become a major sore point in U.S.-Mexico relations.

Economists point to a host of demographic, cultural and economic factors fueling the mass migration. But many agree that NAFTA accelerated the decades-long exodus of Mexicans from the countryside by opening the nation's markets wider to subsidized U.S. agriculture products.

Mexico has shed nearly 30% of its farm jobs since the trade pact went into effect, according to government statistics. That translates into 2.8 million farmers and millions more of their dependents fleeing their fields. Some have taken subsistence jobs in Mexico's cities, but many have relocated to the U.S.

Not far from Tlachinola, brothers Valente and Francisco Aguilar yoked a team of black-and-white oxen to a scarred wooden plow on a recent hot morning to till a field of spindly corn. The men worked for years in construction and other jobs in the U.S., returning to Mexico to care for their aging parents. Their six siblings are still up north, in Nevada and New York, and are unlikely ever to come back.

The brothers say poor Mexicans have a right to take jobs in the U.S. because policymakers on both sides of the border appear to have abandoned them to their fate.

"Neither government cares about us," said Francisco, who earns about $8.75 for a 12-hour day busting sod for a local landowner.

NAFTA experts say negotiators from Mexico and the U.S. knew that rural families like the Aguilars would be hard hit by the trade deal. The bet was that many of them would find work in Mexico's burgeoning maquiladora export factories. But there too NAFTA has fallen short.

Mexico has lost more than four times as many farm jobs over the last 12 years as it gained in export manufacturing positions, in part because of relentless competition from China.

Economist Jeff Faux, author of a new book on globalization, said the current focus of the U.S. Congress on tougher border enforcement ignored the root economic causes pushing migrants north. He said talk of fences, guest worker programs and Mexican government ineptitude diverted attention from U.S.-backed policies such as NAFTA that have helped create the very flood of illegal immigrants that many Americans are now decrying.

"It's really unconscionable that there is no discussion of the American fingerprints on this," said Faux, founding president of the Washington-based Economic Policy Institute and author of "The Global Class War." "There is a lot of winking and nodding going on … because it's their business constituents that supported [NAFTA] and that are enjoying the benefits" of low-wage immigrant labor.

Around Latin America, countries are loosening their embrace of free-market policies and institutions as left-of-center leaders have come to power. Argentina, which has sparred repeatedly with the Washington-based International Monetary Fund after its 2001 financial crisis, has emerged from the largest sovereign debt default in history with economic growth rates topping 9%. Venezuela, Ecuador and Bolivia have moved to exert greater state control over energy resources to devote more funding to social spending. Privatization of public utilities such as water has fallen out of favor. And a U.S.-led push for a hemispherewide trade agreement has gone nowhere.

Given that climate, some political analysts say the time might be right for Mexico to push back against its largest trading partner and demand protections for key domestic industries such as

farming that still generate a lot of employment in Mexico.

Mexico's agriculture minister last month pleaded with the U.S. and Canada to allow the country to keep import restrictions on corn and beans, which are scheduled under NAFTA to come off in 2008. Mexican farm groups have warned that the end of protections would send millions more rural dwellers toward the border. The U.S. quickly rejected the proposal.

But Lopez Obrador, who holds a slight lead in opinion polls, has declared that he wouldn't honor Mexico's NAFTA commitment to eliminate barriers on corn and beans if he were elected. In fact, his chief economic advisor, Rogelio Ramirez de la O, told Reuters last month that a Lopez Obrador administration would seek a full review of the agreement, particularly the agricultural component.

"We think that this is high time for a due diligence on NAFTA … ," Ramirez de la O said. "We have to recognize where things have not worked out."

That kind of talk has U.S. trade officials and farmers chafing. But given Americans' rising fury over illegal immigration, Pamela Starr, Latin America analyst for Washington-based Eurasia Group, said it was time for the United States "to get real" with its trade and immigration policies toward Mexico. She said it was disingenuous and unfair for the U.S. to protect its own farmers with fat subsidies while demanding that small Mexican growers compete with them head-to-head.

"An essential part of any migration program designed to reduce the flow [of illegal immigrants] needs to have U.S. efforts to help Mexico develop its own economy," Starr said. "The U.S. has two options. It can import Mexican goods or it can import Mexican workers."

Special correspondent Sarah Meghan Lee contributed to this report.