

“The Underlying Causes of Immigration from Mexico to the United States”

Structures of Deprivation

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Preface |

To write about the underlying causes of immigration means addressing a paramount social issue that pervades the lives of most societies in the world, both in the periphery as well as in the metropolises of the global capitalist system. Immigration is inherent to human nature. Billions of people have travelled from their birthplace in search of a better life from the very moment homo “sapiens” began to wander around his primeval surroundings. At first, all humans were nomads. They constantly moved from one place to another, from cave to cave, from valley to valley, from region to region, from continent to continent, many times traveling thousands of kilometers in their quest for better conditions of survival. Thousands of years later, with the rise of civilizations and hundreds of sedentary settlements, people continued to move to lands inhabited by other civilizations, with different cultural and ethnical backgrounds, always in pursuit of a better life. As empires rose and destroyed competing civilizations, many people were forced to leave, or they were moved forcefully to other places to serve the interests of the conquerors as they pleased. The history of humanity is composed of the never-ending destruction and conquering of many peoples by stronger societies in their quest for power and wealth.

This has never changed despite thousands of years of human experience and “sophistication” in the organization of societies, despite the rise of so called democratic nation states, human rights covenants and international law. Today, people continue to move from one place to another, many times escaping a high risk of death as a result of social conflicts, poverty, or, instead of the rule of law, a complete state of anomie —the loss of all the ethical social standards conceived to procure a dignified and harmonious coexistence among the members of society. In the vast majority of cases, as should be evident, there is also the effect —to a lesser or greater degree—

of the actions of foreign actors that intervene in the lives of other societies in pursuit of their own vested interests, always associated with the pursuit of greater power and wealth. In the twenty-first century, we continue the same ancient patterns of power exertion and displacement of people all over the world. The flows of immigrants resulting from outright armed conflicts stand out because of the sense of emergency and the thousands, hundreds of thousands and sometimes millions of people that are forced to flee in a span of time measured in months as refugees of convoluted conflicts. Customarily, such conflicts involve more than one foreign power, albeit the conflict may take place in only one nation. The Syrian refugee crisis that erupted with the Civil War of 2011 and produced a diaspora of over 5,7 million refugees since 2011,¹ is a clear example of mass migration due to geopolitical conflicts between several major powers, namely the US and EU on one side and Russia and Iran on the other, and Turkey with its own agenda. The above notwithstanding, those who migrate to other latitudes as a result of systemic structures of deprivation of a dignified quality of life are the greater ones. These migrants are measured in the millions. They constitute permanent flows of people that move to other lands through well-delimited migration networks. They are forced to pursue a dignified life elsewhere by seeking access to the necessary opportunities that are permanently denied to them in their country as a result of the systemic structures that have been imposed on them for decades or even centuries. In this way, millions of people continue to migrate from Eastern Europe to Western Europe, from Africa to Europe, from Asia to North America and from Iberian America to North America as well, to name the major migration flows.

This paper focuses on the underlying causes of immigration from Mexico to the United States from a political and socio- economic viewpoint. However, the root causes behind the flows of emigrants in other regions of the world are consistently the same. They result from the impact of powerful geo- political interests on the general population of both the emitting and the receiving countries of the millions of migrants in their escape from unbearable conditions and in pursuit of

¹ The United Nations Refugee Agency: 3RP 2018-19 | REGIONAL REFUGEE AND RESILIENCE PLAN
QUARTERLY UPDATE: 3RP ACHIEVEMENTS DECEMBER 2018
<https://www.unhcr.org/pages/5051e8cd6.html> (checked on 29/07/2019).

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a dignified life. From this perspective, we will uncover and review the underlying causes of immigration from Mexico to the US, which are structural, in an effort to shed light onto their real solution. That is, the only way to permanently solve the issue of Mexican migration to the US, is by addressing the structural causes that force people to leave their homelands. Addressing only the symptoms triggered by these causes will never solve the issue and instead would further consolidate the patterns regardless of how aggressive and inhumane the policies are designed to stop the flows of migrants. We also focus on Mexico because it has been for many decades the main source of immigrants to the US due to its proximity and even more so after the North American Free Trade Agreement (NAFTA) in 1994, which has made Mexico the third largest US trading partner, after China and Canada, beyond being the main exporter of migrants forced to leave their communities.

What are the underlying causes of immigration?

Putting aside the specific cases of mass migration due to armed conflicts, the root causes of immigration are systemic and global economic structures that cause millions of people to lose any opportunity to enjoy a dignified quality of life in their own country. It is of the utmost importance to understand how the global system is structured and operates, and how this has not a collateral but a deliberate and massive predatory and destructive effect on the livelihoods of millions of people in their homelands, which in turn triggers the mass migrations that we are witnessing, particularly, those taking place from Central America and Mexico into the United States.

These systemic economic structures embody the edifice of what I will describe as “The marketocratic global empire underneath the so-called nation-states”. This is the context in which the world truly lives. The idea that most societies in the world, however imperfectly, enjoy a democratic ethos is a complete hoax. There is no such thing as truly democratic and sovereign states. Representative democracy is a nefarious euphemism for the oligarchic systems that rule societies across the world. True democracy can only materialise if the public agenda is freely determined and controlled by the people. To accomplish this, no special interest can interfere in

the process, through political parties or through paid lobbyists. Nonetheless, it is precisely the opposite that has prevailed with very few exceptions. So-called democratic societies have political systems that have been completely corrupted by the holders of economic power. These are the institutional investors of international financial markets (asset management firms, pension funds and investment companies). The largest shareholders of international investment firms and banks with a global presence through financial markets, such as JP Morgan Chase, Goldman Sachs, Morgan Stanley, BNP Paribas, HSBC, Deutsche Bank, Mitsubishi, UBS, Lloyds, Credit Suisse, Axa, Allianz and other public and private pension funds, insurance companies and savings institutions, have been in control of the public matter for a long time. They have made sure that truly democratic ethos remain rhetorical and never materialise and in lieu they have imposed their marketocratic economic structures. The Troika (European Commission, European Central Bank and IMF) acting on Greece is a case in point.

These oligarchic elites control the public agenda through so-called representative democracy systems embodied by legislative structures. In a truly democratic ethos, the Demos (the people), represents 99% of society. If we add the one- percent oligarchic elite who owns the structures whether they are sole owners or shareholders of companies or shareholders of financial institutions, then we have comprised the entire spectrum of the social strata. Yet, it is this tiny elite of oligarchs comprising less than one percent that has been in full control of the public agenda by controlling the politicians in the legislative, executive as well as judicial powers. They have implemented a revolving door system that consists in the movement of their agents between roles as legislators and regulators or as executives in the economic sectors affected by legislation and regulation. This includes the cadres of lobbyists who can be at times working for a trade group or holding a legislative seat. The tacit connivance between those who are in control of the public and private arenas has guaranteed that control of the legislative power remains in the hands of “legislators” that for the most part represent the interests of the business and political elites and not of the majority of the population. This practice has become the norm in the US in a very conspicuous manner, beginning with the emergence of the Military

Industrial Complex in the early nineteen sixties² and then gradually expanding to many economic sectors. This elite of oligarchs controls the system by creating institutions that enforce through laws the status quo that protects their economic and political preeminence. They try to “trump up” the system to defend their wealth. Using Jeffrey Winters terminology for oligarchies, these are civil oligarchies that focus on lowering taxes and on reducing regulations that protect workers and citizens from corporate malfeasance, precisely the neoliberal mantra that dominates economic policy today.³ They build “democratic” institutions that legally shield them from judicial actions against their malfeasance. And, as Winters explains, they sustain all of this by political campaign financing and a cadre of professional lobbyists that allow them to exert undue influence over policy. To be sure, this has also gradually become the “new normal” for many decades in Mexico and in many more countries to secure control of the regulatory powers to protect the wealth of their oligarchies.

In this way, through the revolving door system, the tiny elite of oligarchs representing the less than one percent actually dictates the public agenda and takes full control of so-called sovereign states. They decide which items of the public matter get to be addressed and only in the direction that benefits their very private interests. The conflict of interest is clearly evident and results in the capture of the regulatory process and therefore of the essence of representative democracy. Legislators for the most part do not work for their constituents but for the very private interests that put them in power. Indeed, it is the economic elites that, by financing the political campaigns of their chosen politicians, get to dictate the public agenda. Consequently, instead of living in democratic societies we live in marketocratic societies for we live under the dictatorship of the owners of the market.

² The Military–Industrial Complex; The Farewell Address of Presidente Eisenhower" Basementia publications 2006.

³ According to Winters the existential motive of all oligarchs is wealth defence. How they respond varies with the threats they confront, including how directly involved they are in supplying the coercion underlying all property claims, and whether they act separately or collectively. These variations yield four types of oligarchy: warring, ruling, sultanistic, and civil. Jeffrey A. Winters: Oligarchy, Cambridge University Press, 2011.

Essentially, the marketocratic ethos is a euphemism for a capitalist ethos, which has in effect supplanted democracy by the rule of the market. Moreover, it is of the utmost importance to acknowledge that the usurpation of the democratic ethos was bound to occur for capitalism and real democracy are inherently incompatible and thus cannot coexist. Making believe that they are compatible is the greatest deception of our time. The argument in favour of the concept of a capitalist democracy or of democratic capitalism is unsustainable, for we can hardly find a more direct antagonism between the *raison d'être* of democracy and that of capitalism.

Democracy has as its only end to produce a tacit agreement for social coexistence with the sole purpose of creating an ethos of welfare for every rank of society, and especially for the dispossessed, for its main attribute —and the purpose of the inherent social contract— is the procurement of equitable welfare. In this way, democracy's purpose is to reconcile the public interest (the common good) with the individual interest (the private good) in such a way that the individual's freedom does not allow the individual to seek his own private interest in detriment of the public interest.

Capitalism in stark contrast goes in pursuit of the individual's private interest with no regard whatsoever for the impact that such activity has on the welfare of all other participants in the system. There is no other consideration but profit. Fundamental elements of true democracy such as equality, social justice, welfare and regulation are anathema to capitalism and thus to marketocracy. The maximisation of wealth in share of income from the entire economic activity is its only mantra and its only moral. This is why real wages across the world have declined or exceptionally remained stagnant since the change of paradigm beginning in the 1980s. In the US the share of income of the less than one percent more than doubled by 140,5% between 1973 (9,16%) and 2015 (22,03%).⁴ As for Mexico, after decades of economic and social policies deliberately designed to impoverish ad nauseam the vast majority of the population, there are at

⁴ Estelle Sommeiller and Mark Price: *The New Gilded Age: Income inequality in the US by state, metropolitan area, and county*, Economic Policy Institute, 19 July, 2018

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least sixteen Mexican billionaires, according to the Forbes list of the richest people in the world, with Carlos Slim ranked in the top ten of the wealthiest persons in the world.⁵

There are two impeccable and clearly the most illustrative examples of the calculated connivance between private interests and politicians to supplant the regulatory instruments of a democratic ethos. One is the elimination of the Glass-Steagall Act of 1933. The other is the case of Citizens United versus the Federal Electoral Commission in the US Supreme Court of 2010. The Glass-Steagall Act was instituted to impose a strong regulatory framework on the financial sector. Unfortunately, human greed is unrelenting. In 1980, parts of the Glass-Steagall Act were superseded by the Deregulation and Monetary Control Act. Subsequently, in 1999, the core of the Glass-Steagall Act was repealed by the US Congress as a culmination of a \$300 million lobbying effort by the banking and financial-services industries.⁶ In the second case, the US Supreme Court ruled that companies ought to be regarded as legal persons with individual rights, almost as if they were natural persons, and, therefore, that corporations have the right to the first amendment, which, otherwise, would be exclusively part of the Bill of Rights of the citizenry, in a political context. In this way, the court equated the persona of corporations to that of citizens, so that corporations can exercise their “right” to freedom of speech in political campaigns.⁷ With this ruling the court provided corporations unlimited influence over US elections. Companies can now spend as much as they want to support or oppose individual candidates.⁸ With some variation, the halls of government have been overwhelmed by corporate power all over the world. Thus, with this kind of political ethos it would be a complete delusion to expect governments to fulfil their so-called “democratic” mandate by moving forward and developing a strict regulatory framework to control the market and its owners, namely financial market speculators.

⁵ Alejandro Medina: Estos son los 16 mexicanos más ricos de la lista Forbes 2018, 6 marzo 2018.

⁶ Joseph Stiglitz, *Capitalist Fools*, Vanity Fair, January 2009.

⁷ United States Supreme Court: *Citizens United v. Federal Election Commission*, 21 January 2010.

⁸ Robert Barnes and Dan Eggen: Supreme Court rejects limits on corporate spending on political campaigns, *The Washington Post*, 22 January 2010.

What has been happening for decades is exactly the opposite of what should take place in a truly democratic ethos: the market has overtaken the public arena and dictates over the lives of societies around the world. A study designed to track how closely government policies in the US matched the preferences of voters at different points of the income distribution, found that the influence of average voters drops to insignificant levels, while that of economic elites remains substantial when the elites' interests differ from those of the rest of society. When this happens, it is their views that count —almost exclusively. As Gilens and Page, the authors of the study explain, we should think of the preferences of the top 10% as a proxy for the views of the truly wealthy, say, the top one percent —the genuine elite.⁹

These structures observed in the US for the benefit of the less than one percent, have captured the institutions of society and usurped the true governance of states by the people on behalf of the people. Furthermore, it is of paramount importance to become conscientious that these structures work across borders in the global capitalist system to replicate the same economic policies that benefit the elites. Indeed, they are replicated across all nations, through a North-South tacit global agreement to exploit the labour and natural resources to complete its edifice in what constitutes and is regarded as the Centre-Periphery global system of exploitation. This is the tacit agreement where the elites of the metropolises of the system work in tandem with the elites of the peripheral countries to extract all labour value and natural resources. This is not a new system; it began to emerge in the second half of the XIX century when many colonies achieved formal independence from their imperial masters. Subsequently, the elites of the new nations began to work in tandem with the elites of their former masters to continue the neocolonial exploitation of labour and natural resources in the former colonies. What is new with the emergence of neoliberal globalisation has been the development of global commodity chains or global supply chains¹⁰ that have created a new structural and global division of labour. This

⁹ Dani Rodrik: How the Rich Rule, Project Syndicate, 10 September, 2014.

¹⁰ Global supply chains are integrated global spaces created by financial groups with manufacturing activities. Such spaces are global in that they open up a strategic horizon for augmenting the value of capital that reaches far beyond national borders and undermines national regulations. Such spaces are integrated in that they are made up of hundreds, even thousands, of subsidiaries (production, R&D [research and development], finance, etc.) whose

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has decimated to the extreme the livelihoods of hundreds of millions of people across the global South, and in the case of Mexico it has effectively destroyed many economic activities and pauperised many communities across the nation with the direct effect of triggering mass domestic and transnational migrations of millions of Mexican families.

The Neocolonial Centre-Periphery System

Indeed, the marketocratic system of revolving doors making a mockery of democracy and turning almost every aspect of life into profitable merchandise —through privatisation of the public matter and the dismantling of the entire spectrum of human rights (civil, political, economic, social, labour, cultural, and environmental rights), reproduces itself across the world. This takes place through the aforementioned neocolonial structural system of tacit agreements between the centre-periphery elites to exploit all human and natural resources in the territories under their direct jurisdiction. A tacit agreement does not imply a conspiracy theory agreement. The centre-periphery elites do not meet in secret to layout their plans and assign areas of responsibility. They just reproduce and make more efficient the structures already in place since neocolonial times to sustain the benefits of their oligarchic system, which today translates into global monopoly-finance capitalism¹¹ for the benefit of the less than one percent both in the centre and the periphery.

The economic political paradigm dominating the political economy of the metropolises of the system —namely the G7 countries— is almost invariably reproduced in the periphery. In the first decades of the post war era, Keynesian demand- side economics dominated US, European and Japanese economic policy. Western Europe, Japan and South Korea embarked in demand-side policies to recover their markets from the ravages of war. And so, the same economic paradigm

activities are coordinated and controlled by a central body (the parent company or a holding company) that manages resources to ensure that the capital valorisation process is profitable both financially and economically; Claude Serafati and Catherine Sauviat (coord): The impact of global supply chains on employment and production system : A summary. A Franco-Brazilian comparison of the aeronautic and automotive industries. Institut de Recherches Économiques et Sociales. January 2018 —Report n°1-2018, submitted to the ILO Research Department, page 8.

¹¹ See: Samir Amin, *Modern Imperialism, Monopoly Finance Capital, and Marx's Law of Value* (Monthly Review Press, 2018); John Smith, *Imperialism in the Twenty-First Century* (Monthly Review Press, 2016).

was replicated across the periphery. In the case of Mexico, industrialisation and imports substitution, anchored as well on demand-side policies, reduced poverty and produced a middle class while enjoying almost half a century, between the late 1930s and early 1980s, of partial economic and foreign policy sovereignty. When the Nixon Administration decided to abandon the gold standard in 1971, given the US loss of productivity and competitiveness, it moved from supporting demand to supporting neoclassical supply-side economics, better-known today as neoliberalism. The other metropolises of the system shortly followed through with the change of paradigm. In Mexico and the rest of the periphery, all governments immediately followed through with the shift to supply-side neoliberalism, applying the policies of the Washington Consensus, which essentially dictate the governments' economic and social policies through ten commandments that essentially are summarised in its mantra: "Stabilise, Privatisate and Liberalise";¹² that is, privatise all public assets and deregulate the economy for the free enjoyment of financial market speculation.

Furthermore, contrary to popular belief, this is also a system of net extraction of wealth, not just for the benefit of both centre and periphery oligarchies, but also from periphery countries in the global South for the benefit of the metropolises of the system in the global North. Just in the last three decades (1980-2012), excluding China, a total of \$11,7 trillion dollars was extracted from the developing countries (\$1,1 trillion in recorded transfers and \$10,6 trillion in illicit capital outflows). This is equivalent to 6,7% of these countries' GDP, and it was equivalent to 8,3% of GDP, just before the 2008 global crisis.¹³ Net extraction indicates that the net result between capital inflows and outflows is a net outflow of capital.

¹² The actual ten points developed by John Williamson, Senior Fellow, Institute for International Economics are: 1. Fiscal Discipline, 2. Reordering Public Expenditure Priorities, 3. Tax Reform, 4. Liberalising Interest Rates, 5. A Competitive Exchange Rate, 6. Trade Liberalisation, 7. Liberalisation of Inward Foreign Direct Investment, 8. Privatisation, 9. Deregulation, 10. Property Rights.

¹³ Centre for Applied Research, Norwegian School of Economics; Global Financial Integrity; Jawaharlal Nehru University; Instituto de Estudos Socioeconômicos; Nigerian Institute of Social and Economic Research: Financial Flows and Tax Havens: Combining to Limit the Lives of Billions of People, December 2015. http://www.gfintegrity.org/wp-content/uploads/2016/12/Financial_Flows-final.pdf

The change of paradigm in Mexico immediately began to impose the structures designed to maximise the predatory nature of neoliberalism. This allowed a North American Free Trade Agreement designed for the exclusive benefit of the shareholders of global corporations, interested in developing their global supply commodity chains for the sheer exploitation of both human labour and natural resources, with Mexico playing a preponderant role due to its immediate proximity.¹⁴ This also opened the country to sheer financial speculation. Mexican “public servants” became agents of the new global marketocratic system in full connivance with key operators of global financial speculation in the US.

One of the most influential personages in the imposition of the structures of social and economic depredation, both in the centre and in the periphery was Robert Rubin, who as Secretary of the Treasury was Clinton's economic adviser for two years and Chairman of the Board of Goldman Sachs. With Clinton he played a preponderant role in the rather controversial rescue of US investors from their speculation with Mexican treasury bonds in 1995. Not surprisingly, this was a rescue of US punters that enjoyed the full and enthusiastic support of the Mexican government. US speculators gambled with Mexican treasury bonds in pesos, known as “Tesobonos”. When the peso collapsed they lost their bet. But the US decided to exert its power on its Mexican cronies to save US gamblers. The deal was to give Mexico a \$52 billion loan to bail out several thousand US financial gamblers. The cost was to be absorbed by Mexican taxpayers.¹⁵ “Serendipitously,” at the end of the Clinton Administration, Rubin was rewarded for his services, for having created the conditions —bypassing the Glass-Steagall Act— for the creation of Citigroup. As a result, between 1999 and 2009 Rubin served as advisor to the Board of Directors; General Manager of Citigroup (five weeks) and Chairman of the Executive Committee. “Coincidentally”, Banamex, the largest bank in Mexico was sold to Citibank in 2001 for \$12,1 billion dollars with the enthusiastic approval of the Mexican pupils of the Washington Consensus.

¹⁴ Intan Suwandi, R. Jamil Jonna and John Bellamy Foster: Global Commodity Chains and the New Imperialism, The Jus Semper Global Alliance, May 2019; <https://www.jussemper.org/Resources/Economic%20Data/Resources/GlobalCommodityChains.pdf>

¹⁵ Alejandro Nadal, Obama: La campaña decomisada, La Jornada, 27 de agosto de 2008.

During this period Rubin was widely criticised for many of his tenebrous actions that ultimately led to the Citigroup debacle, which was later bailed out by US taxpayers. This triggered a lawsuit by many investors in December 2008, who claimed that Rubin and other Citigroup executives sold them stock at inflated prices.¹⁶ Nefariously, since the summer of 2008, Rubin joined Obama's transition team as one of his main advisors.¹⁷ It is not surprising that in a reedition of the culture of social Darwinism, a pirate such as Rubin is considered one of the most influential personages of US capitalism. For this reason almost all members of Obama's initial economic team were considered followers of the so-called "Rubinomics" and many of them had served under him.¹⁸

The marketocratic structures of depredation permeate across the world through the customary centre-periphery relationship both in developed and so-called developing economies. Powerful market agents act in sync both in the halls of government and in the board rooms to apply the structures that maximise the reproduction and accumulation of capital for the exclusive benefit of the less than once percent global elite in a continuum that moves them from the public to the private arenas and vice versa through their revolving door system to meet and protect their vested interest underneath the so-called "democratic ethos". These underlying structures under the veil of representative democracy provide an ethos of impunity.

This has created a global moral hazard, which concurrently dramatically accelerates corruption and a feeling of enjoying impunity among the cadres of market agents both in the centre and in the periphery. Paul Krugman described moral hazard as any situation in which one person makes the decision about how much risk to take, while someone else bears the cost if things go badly.¹⁹ This is exactly what happened in the economic recession that began in 2008, when the

¹⁶ Martha Graybow, "Investors accuse Citi execs of "suspicious" trades". Reuters. 3 December 2008.

¹⁷ Eric Dash y Lousie Stoy, Rubin Leaving Citigroup; Smith Barney for Sale, The New York Times, 10 January 2009.

¹⁸ Jackie Calms: Rubinomics Recalculated, New York Times, 23 November 2008.

¹⁹ Paul Krugman; The Return of Depression Economics and the Crisis of 2008. W.W. Norton Company Limited, 2009.

institutional investors were bailed out —because they were “too big to fail”— by the US and EU governments. By doing this, central banks or other institutions encourage risky lending in the future if those that take the risks believe that they will be completely rescued or will not have to carry the full burden of potential losses. This is just what happened when the US forced Mexican taxpayers to bail out US investors of “tesobonos”; an act that sends a clear signal that they could continue to take high risks and feel secure. Moral hazard also occurs in the political arena in the US-Mexico relationship. The Mexican oligarchy knows that as long as it continues to act as a pupil of its tutor, by following the economic and social policies that fulfil the US imperial interests, they are free to do anything they need to remain in power. They can commit, as they have systematically and customarily done, the most blatant and overt electoral violations to win the elections. They can brazenly violate the most basic human rights of the Mexican citizenry to crush social unrest and they can confidently bank on being endorsed and supported, time and time again, by the US government, as long as they protect the interests of US elites operating in Mexico. Hence they perceive very little risk in maintaining the Mexican citizenry oppressed and pauperised. This is a classic example of the centre-periphery relationship across the world. The oligarchic members on both sides of the system collude to exploit their people and their natural resources by following the tune outlined by the metropolises of the system.

The careful crafting of a deceitful narrative about Mexican immigration to the US

A fundamental element in the pursuit of a global power’s geopolitical interest is to manipulate the truth or simply make up blatant lies to instil in public opinion the perception that a power regards as the most effective to carry out the actions that will materialise its so-called “national interest”. This is how the US has customarily crafted carefully deceitful narratives of countries’ realities to fulfil its imperial interest. In the specific case of Mexico, the elites of both countries have allowed public opinion to indirectly arrive at logical conclusions that derive from the careful characterisation of Mexico as a very poor country and the US as a wealthy nation and the benefactor of the world. In a country where racism is deep-seated in its culture from inception, for its so-called founding fathers were a cadre of noted slaving landowners, its demeanour vis-à-vis Mexico has always been anchored on a mix of racism and despise. Hence, parting from the

US' inherently racist DNA, its southern neighbour has customarily been depicted as a backward country whose people are inferior to the US citizenry in almost every aspect of life. This is instilled sometimes subtly and sometimes overtly in US culture through the media, cinema and education. Today, the topics that overwhelmingly cover the narrative about Mexico are drug trafficking, crime and undocumented immigration to the US. Such a biased narrative of Mexico is not accidental but intentional propaganda to depict Mexico as a backward country. The rationale behind such intention is to accommodate the national agenda to elicit among US citizens a very low esteem of developing countries in general and of the neighbour to the South in particular. In this way, the national interest to intervene in the US "backyard", whenever it is deemed convenient, is much easier vis-vis public opinion. The less cognisant the general population is about a country, the lower the esteem and thus the less opposition to US foreign policy in Mexico and the rest of the Americas.

Mexicans were depicted in popular US journals and newspapers as an "uncivilised species—dirty, unkempt, immoral, diseased, lazy, unambitious and despised for being peons" (González, 2004: 8). Through constant repetition, a racialised identity of the non-American (sic), "unkempt" Mexican was constructed, along with a US identity considered civilised and democratic despite its engagement in oppression, exploitation, and economic domination of Mexico. Consequently, the hegemonic discourse provided a veil for "imperial encounters," turning them into missions of salvation rather than conquests, or in Mexico's case, economic control (Doty, 1996; Rodriguez, 2005).²⁰

This is systematically reinforced by the imperial order emanating from the most prominent establishment's journals of opinion and then disseminated through all kinds of popular media outlets, electronic or printed. For instance, in an article in *Foreign Affairs* magazine, concerned about the US decline, the authors called for a retrenchment on the practice of dispatching forces around the world for humanitarian missions. They were concerned about imperial decline due to

²⁰ Armando Ibarra and Alfredo Carlos: Mexican mass labor migration in a not-so changing political economy. *Ethnicities* 2015, Vol. 15(2) (pp 211–233) !The Author(s) 2015. Sage Publications.

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a weakened economic condition, because the United States' economic supremacy is no longer assured, and this uncertainty will reduce its geopolitical dominance. The context is evidently that the *raison d'être* for US geopolitical dominance is its humanitarian mission. Such propaganda mission is unrelentingly spread like a gospel through mass media. Conversely, in Mexico and the rest of the continent the US is generally perceived as an empire devoted to the exploitation of the people of all the nations in the American continent and the world. This is irrelevant for the imperial order to be sure, for it has been extremely successful in indoctrinating the vast majority of the US citizenry to think of its country as the greatest source of good.²¹ The imperial streak is never publicised, but is recorded in the annals of US foreign policy. In a declassified Department of State paper of 1948 reviewing current trends, the imperial streak was outlined blatantly by George Kennan, at the time Director of the Policy Planning Staff. He argued that the US has half of the world's wealth but only 6,3% of its population. Henceforth, our real task... is to maintain this position of disparity, and, to do so, we will have to dispense with all sentimentality and day-dreaming... We need not deceive ourselves that we can afford today the luxury of altruism and world-benefaction. We should cease to talk about vague and... unreal objectives such as human rights, the raising of the living standards, and democratisation.²²

Indeed, rhetorical democracy is only allowed if it fits the imperial agenda of world domination. Consequently, Mexico would never have a chance to pursue its own destiny by removing its US backed oligarchic elite and building a truly democratic ethos in pursuit of the welfare of the vast majority of its citizens. The imperial agenda, from the outset, designated Mexico to be its most logical fiefdom given its geopolitical situation. Thus Mexicans would be doomed to fulfil the serfdom needs of the US imperial domination as modern slave workers, both as immigrants and domestically in what is left of its territory.

²¹ Joseph M. Parent and Paul K. MacDonald: The Wisdom of Retrenchment, *Foreign Affairs* 90, no. 6, November/December 2011, (pp 32-47).

²² Memo by George Kennan, Head of the US State Department Policy Planning Staff. Written February 28, 1948, Declassified June 17, 1974. George Kennan, "Review of Current Trends, US Foreign Policy, Policy Planning Staff, PPS No. 23. Top Secret. Included in the US Department of State, *Foreign Relations of the United States*, 1948, volume 1, part 2 (Washington DC Government Printing Office, 1976), 509-529.

There are economic assessments that attempt to explain the causes of immigration other than plainly due to imperialism. One is part of neoclassical economic theory, which, as expected, looks at immigration as an individual choice, where migrants go through a decision process to migrate or not and where to migrate based on comparative cost-benefit expectations between the home country and various host countries as well as the labour question of demand and supply (Borjas 1994).²³ They neglect to ask, however, why they want to migrate and what are the root causes that push the potential migrants to look at various scenarios of migration. They argue the reason for migrating is based on economic and political factors in the home country but ignore the root causes of such factors (Hanson, Scheve, Slaughter and Spilimbergo 2001). For instance, they argue that the immigrant's decision to leave his or her country of birth is one with substantial costs and risks. More often than not it is a decision born of economic and political instability in that country. Consequently, setting immigration policy in part defines a nation's strategy for responding to political violence and repression around the world and addressing the acute poverty that often accompanies such instability.²⁴ However, they do not ask themselves the root causes of such political stability and repression, which may very well be in many countries a combination of exogenous and endogenous causes, which in the case of Mexico is the collusion of the centre-periphery elites to exploit the labour pool and natural resources. The US is a direct actor and stakeholder, along with the Mexican oligarchy, in the prevailing ethos of political instability and repression; but the authors choose to ignore the blatant evidence and instead opt for justifying the host country's strategy to respond to such situation.

Moreover, they assume that the millions of deprived Mexicans go through a microeconomic cost-benefit analysis and decision-making process as if they were prepared emotionally and intellectually to carry out such an exercise instead of actually being overwhelmed by a feeling of deprivation and survival.

²³ George Borjas: The Economics of Immigration, *Journal of Economic Literature* Vol. XXXII (December 1994), pp. 1667–1717

²⁴ Gordon H. Hanson, Gordon Kenneth F. Scheve, Kenneth, Matthew J. Slaughter, Matthew and Antonio Spilimbergo: Immigration and the US Economy: Labor-Market Impacts, Illegal Entry, and Policy Choices (May 2001). Available at SSRN: <https://ssrn.com/abstract=296108> or <http://dx.doi.org/10.2139/ssrn.296108>

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Another perspective is based on cultural traditions and the idea of social capital theory. This perspective formed out of a secular tradition that, in the case of the US and Mexico, created a “North American migration system”. The system began to emerge in the XIX century and was already well established by the 1960s because of deep-rooted migrant networks. According to this narrative, this migration system was altered by US immigration reform in 1986 that caused the established networks to be transformed from a circular flow of male Mexican workers going to three states into a much larger settled population of Mexican families living in 50 states (Massey 2011).²⁵ However, once again, the genesis explaining why Mexicans migrated to three or fifty states from their homeland are not addressed. In a later paper Massey talks about a new element that is affecting negatively the “US-Mexico immigration system”, which is the self-interested actions of politicians, pundits, and bureaucrats who benefit from the social construction and political manufacture of immigration crises when none really exist.²⁶

Nonetheless, as is customary, the structural causes of why Mexican migrants decided to leave their homeland in pursuit of an uncertain and perilous future are not addressed. It seems that the more than evident imperialist agenda that the US has exerted over Mexico to make it a supplier of cheap labour on both sides of the border is never addressed. It appears that this chapter of the imperial agenda, anchored on a premeditatedly created “Modern-Slave-Work system” in collusion with the Mexican oligarchy, that began to develop in the last quarter of the XIX century and has continued ever since, is never truly evident. The above notwithstanding, as Mexico continues reversing the social and economic progress achieved during the thirty-year postwar period, as a result of NAFTA and extreme neoliberalism—with inequality and poverty returning to levels reminiscent of Diaz’s 35- year dictatorship (1876-1911)—the imperialist centre-

²⁵ Douglas S. Massey: Chain Reaction: The Causes and Consequences of America’s War on Immigrants. Julian Simon Lecture Series, 2011.

²⁶ Douglas S. Massey: A Missing Element in Migration Theories, Migration Letters, Volume: 12, No: 3, (pp. 279-299), September 2015.

periphery partnership perspective —the root cause of Mexico’s demise— is gaining a lot of traction among scholars²⁷ and Anglo activists working at the grass-roots level in the US.

The underlying causes of Mexico-US immigration — Labour value appropriation

The causes of immigration underneath the surface are, succinctly, an economic structure designed to exclusively benefit the interests of the owners of the global capitalist system and their agents in both its metropolises and periphery. This translates for Mexico into extremely asymmetric conditions in the terms of trade, namely in the appropriation of labour value through Modern-Slave-Work wages and a predatory trade agreement, both with dramatic negative costs for the Mexican workers in specific economic sectors. We will first examine the appropriation of labour value.

Domestic Modern-Slave-Work Wages | Wages have been pauperised systematically as a matter of a deliberate economic policy imposed since 1982²⁸ to attract foreign direct investment in manufacturing and service industries in line with the demands of foreign investors, both in the US and the European Union to impose a “Modern Slave Work Ethos”. To be sure, they never explicitly demand a Modern-Slave-Work Ethos. They demand “cheap labour” or an ethos or haven of “low labour costs”. But in practice, what this means is the sheer exploitation of workers for the maximisation of shareholder value to such an extent that it cripples the reproduction of the labour force (labour power) in itself, in detriment of the capitalist system. Multinational corporations, which are all owned by the institutional investors of international financial markets that own the system, demand a labour bondage standard that allows them to build the most efficient and productive labour-value commodity chains globally. This allows them to capture in

²⁷ Armando Ibarra and Alfredo Carlos: Mexican mass labour migration in a not-so changing political economy, *Ethnicities*, 2015. Vol. 15(2) (pp 211-233).

²⁸ Álvaro J. de Regil: Mexico and Living Wages: The Utmost Epitomization of Social Darwinism as a Systemic Public Policy, *The Jus Semper Global Alliance*, February 2012.

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the periphery a “global reserve army of labour”.²⁹ Reproducing the global reserve army of labour not only serves to increase shorter-term profits; it serves as a divide-and-rule approach to labour on a global scale in the interest of long-term accumulation by multinationals and the state structures aligned with them.³⁰ Nonetheless, the meagre compensation that workers in the global South get for their work in the supply chains of global corporations greatly hinders the adequate reproduction of their families, the future members of the system’s work force.

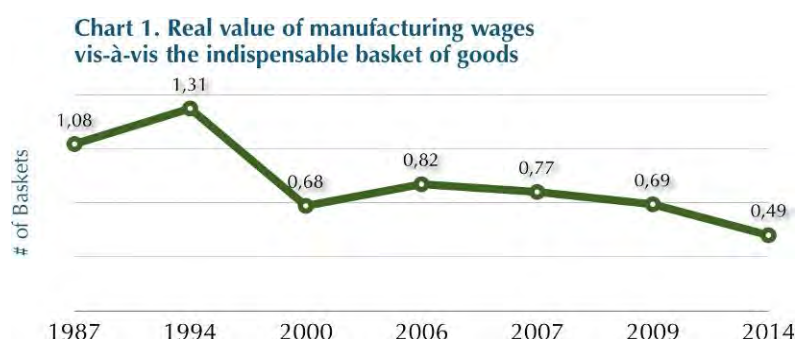
Indeed, neoliberalism advanced the control of macroeconomic variables, such as inflation, with the pursuit of labour markets’ real wage containment, which caused the collapse of purchasing power by more than 75% vis-à-vis the 1980s.³¹ In chart 1 we look at manufacturing wages in real terms, the best wages among salaried workers. To assess their real value, we use a domestic indicator –the Indispensable Basket of Goods, or IBG. This basket is considered the bare minimum necessary for the reproduction of the workforce. The hourly direct pay (not counting social or company benefits) of manufacturing workers in Mexico could pay for 1,3 IBGs in 1994, but only 69% in 2009 and 49% in 2014, a 62% loss of purchasing power in 20 years (chart 1).³²

²⁹ Intan Suwandi, R. Jamil Jonna and John Bellamy Foster: Global Commodity Chains and the New Imperialism, The Jus Semper Global Alliance, May 2019 (p.9)

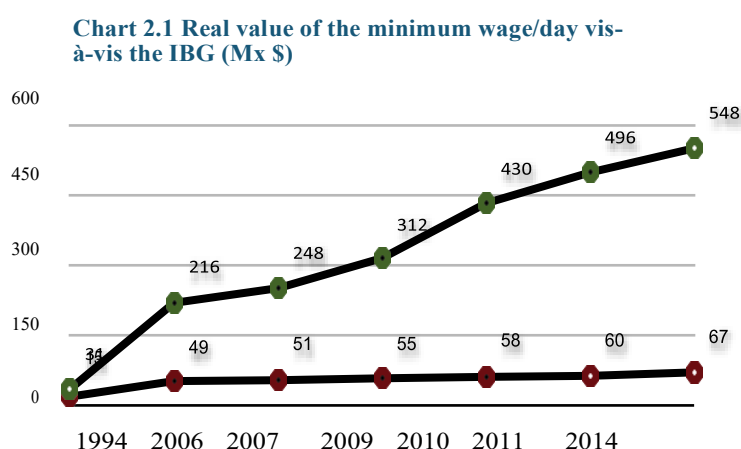
³⁰ James Peoples and Roger Sugden, “Divide and Rule by Transnational Corporations,” in *The Nature of the Transnational Firm*, ed. Charles N. Pitelis and Roger Sugden (New York: Routledge, 2000), 177–95

³¹ Carlos Alberto Bandala: Seminar delivered to the National Commission of Minimum Wages, Mexico’s Ministry of Labour and Social Welfare: “Establishing a Living-Wage Basket — “The path to recovering the living wage: establishing a living-wage basket”, Universidad La Salle and Jus Semper Global Alliance, 18 June 2019.

³² For charts 1, 2 and 2,1: author’s own calculations using the following sources: 1) CONASAMI: Salarios Mínimos Vigentes 1994-2014; 2) Laura Juárez Sánchez: Política económica neoliberal y salarios, *Trabajadores*, Universidad Obrera de México VLT, Vol. 61, julio-agosto de 2007; 3) Laura Juárez Sánchez: Despojo salarial y pobreza, *Hoja Obrera*, Universidad Obrera de México, VLT, Diciembre 2010, Número 109; 4) Laura Juárez Sánchez: Modelo económico agotado y crisis financiera, *Universidad Obrera de México VLT, Trabajadores*, Vol. 70, Enero-Febrero de 2009; 5) Informe 2014 del Observatorio de Salarios, Universidad Iberoamericana, Puebla; 6) Bureau of Labour Statistics, US Department of Labour, and The Conference Board: *International Comparisons of Hourly Compensation Costs in Manufacturing*, 2014, 16 April, 2016.



The IBG benchmark is a critical indicator to illustrate the consistent pauperisation of the work force in Mexico in the last three decades. Indeed, if we look strictly at the power of real minimum wages, we can clearly observe a consistent pauperisation. In 1994 the minimum wage could pay for only 49,2% of the IBG to then drop to a purchasing power of only 12,4% by 2014 (chart 2); a 75% loss in real terms. Real wages have consistently eroded annually (further illustrated in chart 2.1 in pesos). If we use a similar basket of goods (COI) for blue-collar workers (of only 35 indispensable items instead of 40) developed by UNAM, the depth of the collapse of real wages is very consistent as well. In 1987 the minimum wage paid for 94,3% of the COI, to then drop to paying for only 16,9%, a loss of 82% of its purchasing power.³³



³³ David A. Lozano Tovar et al. Centro de Análisis Multidisciplinario, Reporte de Investigación No. 70, Facultad de Economía, UNAM, Abril 2006.

Some may argue, in defence of the current ethos, that most workers in most countries earn more than a minimum wage, because, customarily, a minimum wage does not provide nearly enough to earn a living wage. This is of course the case in many developed economies, including the US, where the minimum wage is by no means a living wage. As could be expected, in developing economies the real value of the minimum wage is even worse. Nonetheless, the gap between a living wage and real wages in Mexico is so dismal that if we change the angle of assessment to measure how many minimum wages are required to buy the IBG, we will find that, whilst in 1994 workers needed two minimum wages per IBG, in 2014 they need 8,1 minimum wages per IBG. Then, the entire picture is revealed by looking at the official data for the income distribution for wage earners.

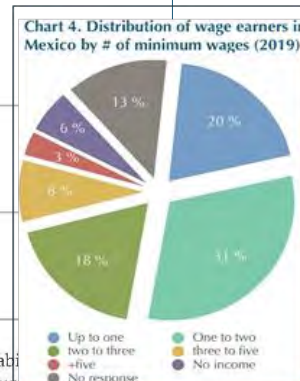
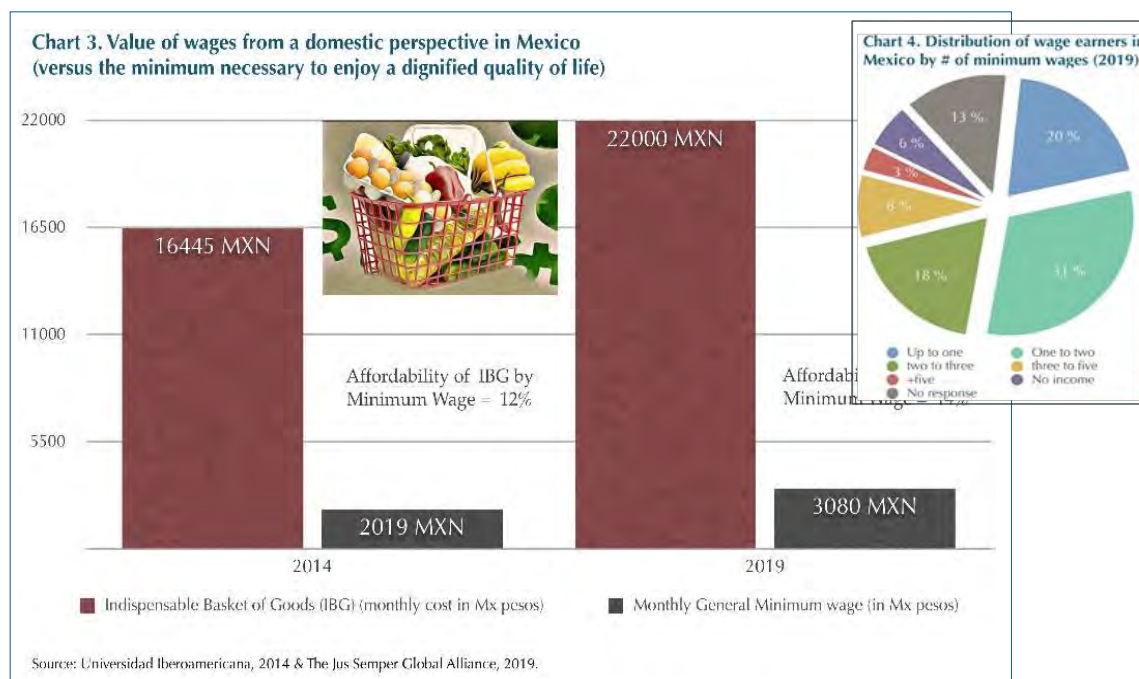
The data indicates that only 6,7% of all salaried workers earned more than five minimum wages at the end of 2014.³⁴ Even in the case of urban areas, only 8,7% earned more than five minimum wages.³⁵ Moreover, even if we make a rather optimistic approach and assume that 100% of those who did not disclose their income earn more than five minimum wages, the rate goes up to only 18,7% nationally and to 24,6% in all urban areas. Thus, we can safely assume, with a great degree of confidence, that less than ten percent of all salaried workers earned enough to at least buy an IBG in 2014. Succinctly, the rate of poverty in Mexico is daunting. To make things worse, in the official report for fourth quarter 2018, the rate of those earning at least five minimum wages was down to 4,5% nationally and to 6,4% in all urban areas.³⁶

³⁴ According to Mexico's INEGI, all salaried workers accounted for 80,5% of all employed people in fourth quarter 2014.

³⁵ Instituto Nacional de Estadística y Geografía (INEGI) INEGI. Encuesta Nacional de Ocupación y Empleo. Indicadores estratégicos. Cuarto trimestre de 2014: <http://www.inegi.org.mx/sistemas/tabuladosbasicos2/indesttrim.aspx?c=26232&s=est>

³⁶ Instituto Nacional de Estadística y Geografía (INEGI) INEGI. Encuesta Nacional de Ocupación y Empleo. Indicadores estratégicos. Cuarto trimestre de 2018: <http://www.inegi.org.mx/sistemas/tabuladosbasicos2/indesttrim.aspx?c=26232&s=est>

If we assess the affordability of the IBG projecting it to 2019 by applying the estimated inflation of its components, we observe that it will take a long time, several decades, to close the gap with the minimum wage, despite the fact that in 2019 the minimum wage was increased substantially above inflation (16,2%) for the first time in 36 years. Chart 3 shows that the estimated affordability of the IBG by the minimum wage in 2019 improved two points, to 14 percent, after the minimum wage increase. In other words, it takes earning about 7,2 minimum wages monthly to afford the IBG.



Today, very few salaried workers can afford the IBG. As shown in chart 4, according to Mexico's statistics institute, 77% of all employed persons earned not more than five minimum wages, but it takes +7 minimum wages to afford the basket. Only three percent earn more than five minimum wages, six percent said they work but earned no income³⁷ and 13 percent did not disclose their income. ³⁸Consequently, if we make an optimistic estimate, not more than 15 percent earned enough to buy the basket in first quarter 2019.

³⁷ INEGI sets this category to include both dependent unpaid workers and self-employed workers dedicated to subsistence farming activities.

³⁸ INEGI. Encuesta Nacional de Ocupación y Empleo. Indicadores estratégicos. Primer trimestre de 2019.

How can workers survive with these, literally, Modern-Slave-Work wages? They do it by many members of the extended family living together under a single overcrowded roof—often in a slum dwelling—where most members work, including teenagers, and sometimes children, who drop out from school out of necessity, to contribute to the household income. Many work in the underground economy, which easily accounts for more than a 60% share of total employment according to the OECD, which essentially entails that roughly three fifths of Mexicans workers belong to Guy Standing's “precariat” class³⁹ of dispossessed.⁴⁰ They also do it by migrating to the US, where many have been able to find a job that allows them to survive in less undignified conditions and send a good amount of their income back to their families at home. As a last recourse, they are recruited by drug traffickers to do their dirty work. This is the end result of an economic ethos of sheer inequality, that in most administrations, particularly in the last three decades, has been deepened to the core via a deliberate systemic public policy of pauperisation of the masses. Chart 5 shows the evolution of the minimum wage in real terms since 1940 (benchmark) at the end of each federal administration.⁴¹ The picture is dismal; with net gains every six-year term since 1952 until the mid-eighties—precisely at the start of the imposition of supply-side economics—the end result is a net loss of 77,2% of the purchasing power that the minimum wage had in 1940. It is no surprise then that a 2011 government report by the Ministry

³⁹ Guy Standing: *The Precariat – The New Dangerous Class* (Bloomsbury Academic, London, 2011).

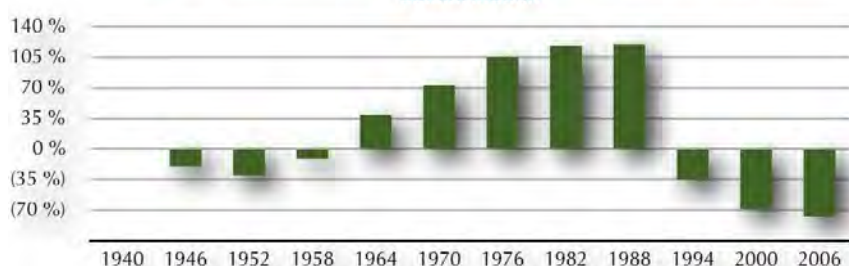
⁴⁰ An OCED Employment outlook for Mexico for 2011, informs that “The incidence of informal employment has increased substantially from an already high level and more than during previous downturns. This reflected a sharp decline in the share of the working-age population in formal employment during the initial phase of the downturn due to the decline in export demand and a sharp increase in the share of the working-age population in informal employment (up to 63% of total employment) during the last phase of the downturn and the initial phase of the recovery. This rise in informal employment reflects the tendency of formal-sector job losers to move into informal work and possibly the engagement of previously inactive household members in informal work to compensate for the loss of household income.” *Employment Outlook 2011 – How does Mexico compare?* OECD, 2011.

⁴¹ David A. Lozano Tovar et al. *Centro de Análisis Multidisciplinario, Reporte de Investigación No. 70, Facultad de Economía, UNAM, Abril 2006.*

of Agriculture (SAGARPA) asserts that more than 5,8 million families (about 29 million people or 26% of the population) were in danger of facing famine in the coming months.⁴²

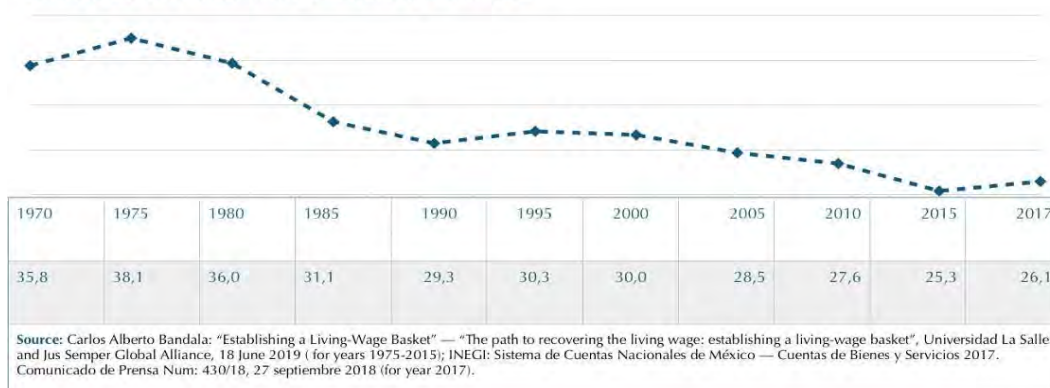
In this way, Mexico, a so-called emerging market, is a nation with great inequality, to say the least. It has one of the top ten wealthiest persons on the planet (Carlos Slim), and a total of fifteen additional billionaires among the top wealthiest people on earth on the 2018 Forbes list. Yet, the UNDP ranks it as the 36th most unequal society –in the quintile income ratio– among 189 nations.⁴³ This is further reinforced when looking at the labour’s share of income as a percent of

Chart 5. Variation of real value of the minimum wage at the end of each administration



GDP, which has consistently dropped since 1975 (chart 6).

Chart 6. Mexico's labour share of income as a % of GDP

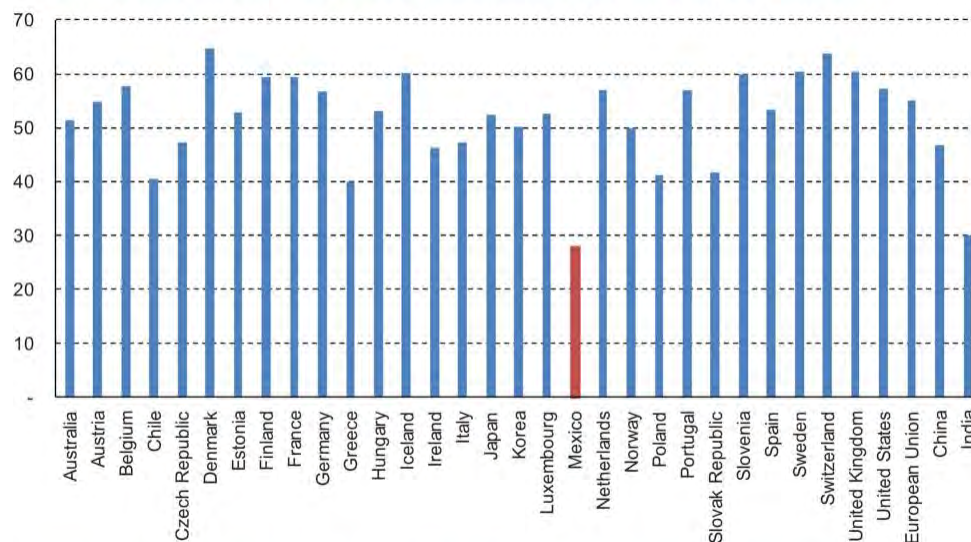


⁴² Erika Ramírez, En hambruna más de 5 millones de familias, Contralínea, 261, 27 de noviembre de 2011.

⁴³ UNDP, Human Development Report, 2018, (pp 30-33).

What workers take home has consistently decreased because employers and the government have worked in tandem to keep —using Marxian labour theory — a greater share of the surplus value as a direct result of economic policy. Hence, despite the fact that this has become a global trend under the aegis of neoliberal globalisation, the drop in the share of income is deeper in the case of Mexico, and it is at the bottom of the list at a much lower rate than for the rest of the OECD countries. In fact, in 2011 it was much lower than in China and even in India as observed in chart 7.

Chart 7. Selected countries: Share of labour remunerations as a percent gross value added (2011)



Source: Norma Samaniego Breach: La participación del trabajo en el ingreso nacional — El regreso a un tema olvidado, CEPAL - Serie Estudios y Perspectivas - México - N° 157, ONU/CEPAL Naciones Unidas, noviembre de 2014

The main trait of globalised capitalism is the fall in the wage's share of income, namely, of the share of GDP absorbed by the salaried worker. That trend equals, in Marxist terms, to an increase in the rate of exploitation. It is a result soundly grounded on indisputable statistics and which applies to the majority of countries both North and South (Husson, 2001).⁴⁴

The only positive sign is that the new government (2018-2024) pledged during the electoral campaign to reverse the 36- year policy of deliberate wage pauperisation. In its government plan, it specifically stated a concrete approach to achieve some progress in recovering the real value

⁴⁴ Michel Husson, “La hausse tendancielle du taux d’exploitation,” Un pur capitalisme, (The tendency to increase the rate of exploitation, Sheer capitalism) chapter I, Editions Page Deux, Paris, 2001.

of the minimum wage in purchasing power. The plan consists on increasing annually the minimum wage by 15,6%, plus CPI inflation, until reaching by the end of the six-year term a total of P\$171 per day plus CPI inflation.⁴⁵ Minimum wages are adjusted annually in Mexico each December for the subsequent year. For 2019, the government did not fully comply with its pledge. Inflation in 2018 was 5 percent and the increase was of only 16,2%, or 4,4% less than what was stated in the plan. However, this is first time in 36 years that the minimum wage was increased substantially above CPI inflation. The government also increased by 100 percent the minimum wage in 42 municipalities of the six states bordering with the US.⁴⁶ These municipalities account for 6,5% of the total population of Mexico, according to INEGI's 2015 inter census count.⁴⁷ The rationale for this sharp increase is to make these border municipalities a special free zone with the goal of closing the gap between Mexico's municipalities in the border zone and US counties bordering with Mexico. Prices for goods and services, particularly gasoline and public utilities, are not competitive and are far more expensive in Mexico.⁴⁸ But there is a critical contradiction however. The minimum wage in Mexico has a tier of "professional minimum wages", which cover 59 activities requiring greater physical and intellectual capacities and skills that the general minimum wage and that are on average 25% higher than the general minimum wage. The government increased them by 5%, strictly in line with GDP inflation, replicating exactly the same that all previous governments did. This constitutes an actual loss in real terms for these wages, because inflation of the IBG is clearly higher than CPI inflation, at the very least 25% higher.⁴⁹

Global Modern-Slave-Work Wages | We have assessed the dire situation of wages from a domestic perspective in real terms vis-à-vis the Indispensable Basket of Goods and exposed the

⁴⁵ Proyecto de Nación 2018-2024, 31 January 2018, page 227 or 232 depending on version (accessed on September 2018).

⁴⁶ DOF: 26/12/2018 — RESOLUCIÓN del H. Consejo de Representantes de la Comisión Nacional de los Salarios Mínimos que fija los salarios mínimos general y profesionales vigentes a partir del 1 January 2019.

⁴⁷ INEGI: Banco de Indicadores: Población total en viviendas particulares habitadas (Número de personas) , 2015, consulted on 23 January 2019 at <http://www.beta.inegi.org.mx/app/indicadores/?t=0200001000200000>

⁴⁸ Álvaro J. de Regil: Mexico's Wages 2018-2024: To Change So That Everything Remains The Same, page 16, The Jus Semper Global Alliance, February 2019.

⁴⁹ *ibidem*: (pp. 6,17-19 and 23).

dismal situation of labour's share of income vis-à-vis G20 economies and other major economies such as China and India as a result of the tacit agreement between Mexico's governments since 1982 and the less than one percent: the domestic business elite and foreign multinational corporations, particularly US corporations. We will now assess comparatively Mexico's wages in manufacturing from a global perspective to expose the deliberate asymmetric conditions imposed over Mexican labour with the specific goal of maximising the return on investment, and thus, shareholder value, for both domestic and foreign corporations. As an instrumental part of this policy, because the minimum wage serves as the point of reference for all other wages, it was systematically pauperised to the point of making it the lowest in the Americas. Indeed, Mexico's wage policy has been so predatory over the decades, that Mexico's minimum wage (about \$ 135 US dollars monthly) was in 2018 among the lowest in the region; only El Salvador, Nicaragua and the Dominican Republic were behind.⁵⁰ If we compare this against the already quite low US minimum wage of \$7,25/hour, Mexico's minimum wage would be tantamount to \$0,78/hour, or about less than 11 percent the US minimum wage in nominal terms and 18 percent in real PPP terms in 2018.

There are two key economic sectors that have greatly damaged the social conditions of millions of workers in Mexico in the past four decades: manufacturing and agriculture. With NAFTA, the bulk of the trade is in manufacturing. NAFTA accounts for more than 80 percent of total Mexican exports, and Mexico's manufacturing exports stand at roughly 81 percent of total exports worldwide, which amounted to \$480 billion in 2018.⁵¹

Agricultural exports accounted for 7,6 percent or roughly \$34 billion. ⁵²Mexico's agricultural global imports in 2018 totalled about \$28,6 billion. The US is Mexico's largest agricultural trading partner, importing 78 percent of Mexican exports and exporting 69 percent of Mexico's imports in this category. Mexico was the US largest agricultural trading partner in terms of

⁵⁰ Expansión \ datosmacro.com and wageindicator.org, consulted on 15/08/2018

⁵¹ World Bank: World Development Indicators 2018 (from WDI Data Bank).

⁵² ibidem.

combined exports and imports, with Canada being a close second. In 2018, Mexico accounted for 13,6% of US agricultural exports and 20,1 percent of US agricultural imports.⁵³

We will first assess the manufacturing sector relative to labour remunerations, in particular in terms of labour compensation costs since NAFTA, which prompted the creation of the North American commodity chains. We do this comparatively, in the context of “equal pay for equal work of equal value” in order to provide equivalent remunerations for the same work in purchasing power parity terms.

Form a global perspective, as previously stated, wages have been decimated for the last 36 years in Mexico as a result of a consistent and deliberate economic policy to impose neoliberal structures worldwide, that have shifted from demand- side economics to supply-side economics. For workers, these policies have essentially replaced the policy of “put money in the workers’ pockets” with “put money in the employers’ pockets”. These are policies that:

- reduce and limit labour rights through structural reforms,
- reduce real wages to increase competitive advantages,
- privatise public assets and natural resources vital for life, and
- deregulate economic and financial structures to allow markets to set the public agenda and allow them to regulate themselves through non-binding, self-designed guidelines and standards.

In this ethos, wages are decimated to attract as much foreign direct investment as possible by offering labour costs at bondage prices, and Trade agreements (NAFTA) are created to develop a regional system for global corporations, with huge increases in productivity made possible by dramatically reducing labour costs in a good portion of their global manufacturing/supply chain,

⁵³ United States Department of Agriculture Economic Research Service: Mexico Trade & FDI, Friday, June 21, 2019, <https://www.ers.usda.gov/topics/international-markets-us-trade/countries-regions/nafta-canada-mexico/mexico-trade-fdi/>

what is normally referred to as global commodity chains in the current marketocratic ethos.⁵⁴ Table 1 shows asymmetric wage rates in North America and selected economies from a global perspective.

As indicated in table 1, the total hourly compensation costs of equivalent manufacturing employees in Mexico amounted nominally to \$3,91 in 2016, which in real (PPP) terms amounts to \$7,22, or 18 percent of what is necessary to be compensated at par with the total cost of equivalent US workers in the manufacturing sector—in accordance with TLWNSI’s living-wage concept of “equal pay for equal work of equal value”.⁵⁵ While the cost of living in Mexico in 2016—in PPP terms— was 54 percent of the US, the 18 equalisation index exposes a gap of 82 percent; for Mexican employees needed to earn nominally \$21,15 an hour (54 percent of US wages) to enjoy an equivalent compensation in purchasing power to the \$39,03 that US workers nominally earn. Comparatively, Mexican real wages are among the worst real wages for manufacturing employees among developed and emerging economies in Europe, the Americas and Asia.

Table 1 shows how far Mexican PPP wages in manufacturing are from equivalent wages in Germany, Canada and even Brazil, despite the fact that Brazil’s wage gap is also huge at 67 percent.⁵⁶

⁵⁴ See: Intan Suwandi, R. Jamil Janna and John Bellamy Foster: Global Commodity Chains and the New Imperialism, The Jus Semper Global Alliance, May 2019.

⁵⁵ See: The Jus Semper Global Alliance: The Living wages North and South Initiative (TLWNSI), April 2011.

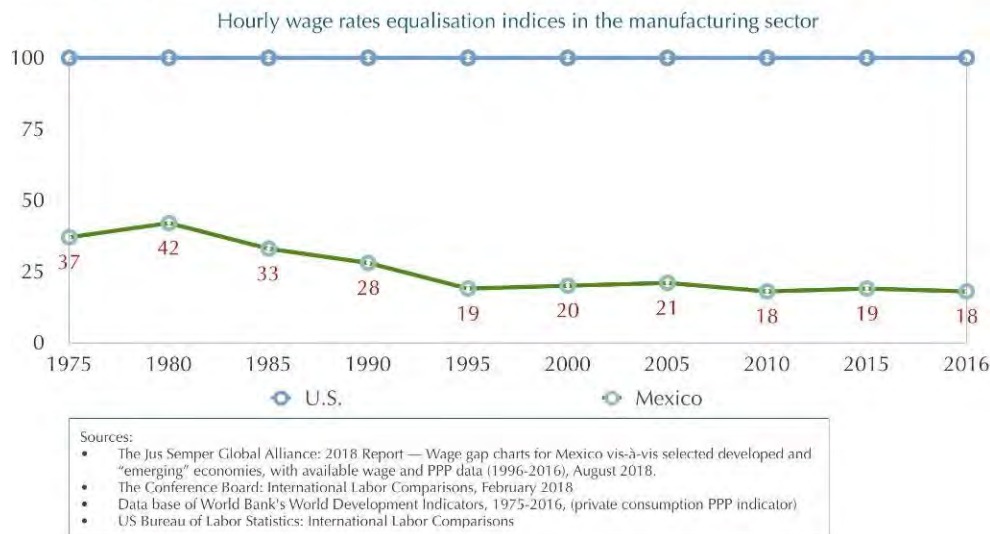
⁵⁶ For the complete assessment of the state of manufacturing wages in Mexico in 2016, see: The Jus Semper Global Alliance: Mexico’s Wage Gap Charts — Wage rates for all employed in manufacturing, 2018 Report — Wage gap charts for Mexico vis-à-vis selected developed and “emerging” economies, with available wage and PPP data (1996-2016), August 2018.

Table 1. Asymmetric wage rates in North America from a global perspective and selected countries (US dollars)						
❖ In the context of “equal pay for equal work of equal value”:						
For all employed in manufacturing, using “purchasing power parities” (PPP) (cost of living) as the benchmark						
2016	Nominal hourly wage rate	Cost of living (PPP) 2016	Real wage rate (PPP)	Equalised hourly wage rate	Equalisation Index	Wage Equalisation Gap
U.S. (benchmark)	39.03	100	39,03	39.03	100	
Mexico	3,91	54	7,22	21.15	18	82
	10 %		18 %	54 %		
Canada	30,08	102	29,41	39,91	75	25
	77 %		75 %	102 %		
Germany	43,18	92	46,97	35,88	120	-20
	111 %		120	92 %		
Brazil	7,98	63	12,70	24,53	33	67
	20 %		33	63 %		
Sources:						
<ul style="list-style-type: none"> • The Jus Semper Global Alliance: 2018 Report — Wage gap charts for Mexico vis-à-vis selected developed and “emerging” economies, with available wage and PPP data (1996-2016), August 2018. • The Conference Board, International Labor Comparisons program, February 2018. • Data base of World Bank's World Development Indicators, 1975-2016, (private consumption PPP indicator) • U.S. Bureau of Labor Statistics: International Labour Comparisons. 						

Chart 8 clearly shows how wages have been decimated over time as a matter of a deliberate economic public policy. The 18 equalisation index that we observe in table 1 for 2016 is the result of the gradual erosion since 1980 until it reached a floor in 1995, right after NAFTA had begun. This provided the government strong confidence that labour costs were dismal enough to attract the anticipated incremental growth of foreign direct investment provided by US and Canadian companies interested in developing their North American supply chains. After 1995 we can observe a flat line in the equalisation index, resulting from the policy of sustaining

manufacturing labour costs at the same rate level to secure increased investment and permanence of both North American, European, Japanese and South Korean investors.

Chart 8. How wages have been decimated in Mexico over time



The government's economic policy changed the equation for labour's share of income in an extremely dramatic manner. The best illustration of the devastating effect of the policy to pauperise wages is the striking change in the ratio of Mexican and South Korean hourly wages since 1975. That year Mexican PPP wages were 3,46 times South Korean equivalent wages. As shown in chart 9, by 1990 South Korean wages had already outperformed Mexico's and, by 2016, the relationship had completely reversed, making South Korean hourly wages 3,68 times greater than equivalent Mexican wages. This explains why manufacturing wages only afforded 49% of the indispensable basic basket of goods in 2016 (infographic 1).

Chart 9: Mutual proportion comparison of PPP hourly real wage rates between Mexico and South Korea for all employed in manufacturing (number of times)



Sources:

US Bureau of Labor Statistics, The Conference Board and The Jus Semper Global Alliance.

Note: Data used to derive calculations is for production-line workers (1975-2005) and for all employed in manufacturing (2010-2016).

Infographic 1 |

Affordability of the Basic Basket of Goods by **Manufacturing** workers (2016) to enjoy a dignified quality of life

- ❖ Estimated monthly cost of the IBG in 2016 = US \$ 991
- ❖ Monthly net income after taxes of manufacturing workers = US \$488
- ❖ Affordability = 49%



Raison d'être for equal pay for equal work | To illustrate the rationale supporting the “equal pay for equal work of equal value” context, let us ask ourselves the following fundamental questions using specific 2016 compensation costs.

- Why, if a US worker working for Ford Motor Company in Flat Rock, Michigan, in the Ford Fusion assembly line, putting four parts in the vehicle, makes \$48,97/hour, a Mexican worker, working for Ford Motor Company in Hermosillo, Sonora, in the equivalent Ford Fusion assembly line, putting the exact same four parts in the same vehicle, makes \$4,68/hour or 9,6% in nominal terms,⁵⁷ when the PPP cost of living for private consumption in 2016 for Mexico was 54%?⁵⁸
- Why should the Mexican worker not be remunerated at the rate of \$26,52/ hour if his work is exactly the same as in the Ford Fusion in Michigan, has the same quality, and roughly 82% of all motor vehicles from Mexico are exported and 75 percent of them are sold in the US?⁵⁹
- Why should Mexican workers who are employed as part of the global commodity chains of transnational corporations (TNLs) not be compensated at the same rate as their US counterparts for equal work of equal value?

This huge asymmetric compensation structure is not a new condition. It is the global North-South structure of unequal trade relations that began to emerge systemically from the end of WWII onwards and exacerbated after the shift to supply-side neoliberal economics in the 1980s. In Mexico and the rest of the periphery, elites sought to increase foreign direct investment through a set of comparative advantages that guaranteed greater returns on investment to the institutional investors and their corporations than what they were obtaining in their home countries. Despite the fact that real wages were relatively increasing, comparative labour costs for equivalent jobs

⁵⁷ The Conference Board, International Labor Comparisons: International Comparisons of Hourly Compensation Costs in Manufacturing and Sub-manufacturing Industries, Updated to 2016.

⁵⁸ Purchasing power parities for private consumption are the author's calculations using the World Bank's database for World Development Indicators for PPP conversion factor, private consumption (LCU per international \$) and Official exchange rate (LCU per US\$, period average) for 2016.

⁵⁹ Sharay Angulo: Producción y exportación autos México crecen a niveles récord en 2017 pese incertidumbre TLCAN, Reuters, 8 January 2018, and DeeAnn Durbin: These cars are made in Mexico, popular on US highways, The Morning Call, 8 February 2017.

were consistently dramatically lower in the periphery, even if they were performing the same job for the same corporation. The periphery partners offered tax incentives and infrastructure to its foreign investment partners, but the overriding factor in the offering of comparative advantages was and remains the offering of labour costs at bondage prices. According to Spero, this scheme used in many developing countries in that period generated incredible comparative advantages for the North. In 1978 the income of US transnationals in the South accounted for 35% of all their income abroad, even though the South only represented 24% of their investments,⁶⁰ because productivity in the South was 65% higher at the expense of the workers' misery. The mechanisms of exploitation have varied over time, but the goal has been the same: to impose a system of reproduction and accumulation of capital that seeks to appropriate the workers' share of income from the economic activity. This implies actually robbing the legitimate share of income belonging to the workers in the context of a society that presumes to be democratic, as Mexico's robber-baron elite pretends to project with the help of its foreign tutors.

As the structures of neoliberal globalisation were gradually imposed, the centre-periphery mechanisms of human exploitation in Mexico have become more efficient. Mexican workers have lost much of the rights that had been achieved during the first half of the twentieth century and the immediate decades of post WWII. Likewise, with the integration of Mexico into the global capitalist system —commanded by the institutional investors of the metropolises and managed from the governmental offices of the domestic elites— neoliberal policy has been fixated on eliminating, neutralising or simply violating the labour rights framed in the Constitution and in the core agreements of the International Labour Organisation (ILO) ratified by the Mexican state.

It is now a consolidated system of commodity chains of the world's global corporations. This reality was best explained by Arghiri Emmanuel in the 1960s with his "Unequal Exchange".⁶¹ A clear exposition of this thesis by Claudio Jedlicki, Emmanuel's disciple, is as follows: the normal

⁶⁰ Joan Edelman Spero, *The Politics of International Economics*: St. Martin's Press, 1981 (p 142).

⁶¹ Emmanuel A. (1969) : *L'échange inégal*. François Maspero. Paris.

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price of a good in international markets is that which allows all factors participating in its production, in every part of the world, to be compensated at the same level. This would take place if there were world markets for every factor in which supply and demand would be contrasted for each factor.

Nonetheless, wages as well as income or indirect taxes, constitute the remuneration of the factors that are established in an independent or institutional manner; to be sure in a way exogenous or outside of the economic realm.⁶² That we endure a North-South system of exploitation, which, among other features, has a direct and premeditated impact on the misery wages paid in all countries in the South is unquestionable. The hard data that we are using to illustrate the case of Mexico clearly attest to these carefully crafted structures of induced inequality through a deliberate system of North- South exploitation. This unequal exchange constitutes the epitome of trade imperialism that historically has generated vast earnings for the North, greater than the interests recovered by banks and the profits obtained by transnationals.

Nonetheless, Jedlicki alerts us that these earnings are only the traceable evidence left by the system of exploitation, for the earnings, in themselves, cannot be seen, since they are hidden in the prices the North manages for all the goods and services in its transactions with the South, as well as for the meagre value of Southern exports, which is mainly the result of its low labour valuation. Indeed, in this commercial imperialism labour valuations stand out, which, in a fashion exogenous to the so-called logic of market economies, are established by way of institutional policies. In this way, Jedlicki's assertion that the North-South unequal exchange —despite the fact that it operates underneath the surface— constitutes a very meaningful bequest for the much higher living standard of Northern Societies, is truly an axiom, an indisputable argument. To be sure, the South's misery subsidises "the North's good living".

⁶² Claudio Jedlicki: Unequal Exchange, The Jus Semper Global Alliance, September 2007.

Some critics of the global system of exploitation, nonetheless, attempt to justify the much higher wages of the global North to higher productivity. However, time after time this argument has been debunked by empirical research both globally and for Mexico. The ILO's global wage annual reports have continuously pointed out the growing disconnect between increased productivity and decreased real wages. By the same token, reports from business magazines have customarily pointed out the high productivity and quality of production in Mexican assembly plants. A good example to illustrate the case is again the Ford plant in Hermosillo, Sonora, which has been rated as one of the most efficient and highest quality assembly plants among all Ford plants in the world. Yet Mexican workers make less than one-fifth of what they should be making, as previously shown.

The Ford worker in Michigan, who performs the exact same task in Ford's assembly line for vehicles which are sold at the same price worldwide, gets paid more than five times what the Mexican workers earns in real terms. That is why production costs ran \$300 to \$1,500 lower per car in Mexico or Brazil than in the US at the turn of the century.⁶³ By the same token, the Mexican worker who assembles the parts made by Mexican suppliers such as Tremec earn a tenth or less of what a Tremec worker in Michigan earns for assembling the exact same part made in Mexico by the same company for the same vehicle. On what rationale do they base such standard business practice? Corporations try to argue about the differences in economic structures, and thus, in salary levels between the US and Mexico, and they boast that their salaries are among the highest in Mexico. But that is a rather cynical position, because if corporations demand and get the same quality and efficiency in the production process, and they sell the product globally at the same price, then they are fundamentally exploiting their Mexican workers; for they are forcing them to accept a rather meagre wage for work rendered by First World standards, in order to bring the desired shareholder value that their boards demand at the expense of Third World workers. The Mexican automotive industry is the most established industry in the country. The first Ford plant in Mexico opened in 1920. During the import- substitution era

⁶³ Geri Smith, Jonathan Wheatley and Jeff Green, "Car Power," *Business Week* October 23, 2000: 51.
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between 1950 and 1980, this industry was one of the most heavily-regulated sectors. The government required 60 to 70 percent of local content. As a result, a long list of Mexican domestic manufacturers was able to develop. One of the major benefits is that such praxis has provided a continuous pool of very highly-skilled workers empowered to compete in dexterity and productivity at the highest global standards. Yet they get paid Modern-Slave- Work wages to maximise shareholder value for global and domestic corporations.

Global labour arbitrage as the quintessential factor of global commodity chains | A new paper on the issue of labour exploitation in global supply chains follows an approach that shares a strong affinity with our own work at Jus Semper. The paper enlightens with rather strong evidence — anchored on theoretical and empirical research of commodity-chain analysis— my argument that the main driver of social inequality between North and South is the deliberate system of “Modern Slave Work” to exploit the labour-value in global supply networks to perpetuate what could best be described as a new global colonialism or imperialism. This is the theoretical and empirical analysis —built on Marxian theory— of “labour-value commodity chains”, which emphasise both the exchange-value and the use-value elements in the production in order to understand how the new imperialism works and how value, derived from low- wage labour in the periphery, is being captured globally.⁶⁴

The study addresses the same issue we address of sheer labour exploitation of workers in the global South of the system, this time from the perspective of productivity, using as the main indicator the unit labour costs of a select group of both Northern and Southern economies of the global system, namely Germany, Japan, US and UK in the North and China, India, Indonesia, and Mexico in the South. As can be inferred, the study found that the much higher rates of exploitation of workers in the global South have to do not simply with low wages, but also with the fact that the difference in wages between the North and South is greater than the difference

⁶⁴ Intan Suwandi, R. Jamil Jonna and John Bellamy Foster: Global Commodity Chains and the New Imperialism, The Jus Semper Global Alliance, May 2019; <https://www.jussemper.org/Resources/Economic%20Data/Resources/GlobalCommodityChains.pdf> (p.4)

in productivity.⁶⁵ Needless to say that the unrelenting quest by the less than one percent controlling neoliberal globalisation for greater productivity in the production process and greater increase in the appropriation of labour value has triggered a shift of industrial workers to the global South. Indeed, in 2010, 79 percent of the world's industrial workers lived in the global South, whilst in 1950 and 1980 only 34 percent and 53 percent did respectively.⁶⁶

The study gives prominence to the increasing global reach of multinational corporations or the role of the global labour arbitrage, sometimes referred to in business circles as low-cost country sourcing. At issue is the way in which today's global monopolies in the centre of the world economy have captured value generated by labour in the periphery within a process of unequal exchange, thus getting more labour in exchange for less. The result has been to change the global structure of industrial production while maintaining and often intensifying the global structure of exploitation and value transfer.⁶⁷ Needless to say that the paramount factor driving this system is the immense wealth extracted from the South. This has contributed to the amassing of vast pyramids of wealth disconnected from economic growth in the centre economies themselves.⁶⁸ Much of this draining of value from the periphery takes the form of unrecorded illicit flows.

According to one recent pioneering study of global financial flows by the Centre for Applied Economics of the Norwegian School of Economics and the United States-based Global Financial Integrity, net resource transfers from developing and emerging economies to rich countries were estimated at \$2 trillion in 2012 alone.⁶⁹ Moreover, the study makes reference to the ILO's World Employment Social Outlook, that found that global supply chains have a positive impact on labour productivity but an absence of any positive impact on wages, because in these chains the

⁶⁵ Ibidem. (p.13)

⁶⁶ John Smith, *Imperialism in the Twenty-First Century*, Monthly Review Press, January 2016, (p.101).

⁶⁷ Intan Suwandi, R. Jamil Jonna and John Bellamy Foster: *Global Commodity Chains and the New Imperialism*, The Jus Semper Global Alliance, May 2019; <https://www.jussempir.org/Resources/Economic%20Data/Resources/GlobalCommodityChains.pdf> (p.3).

⁶⁸ ibidem, (p. 5).

⁶⁹ *Financial Flows and Tax Havens* (Bergen, Norway: Centre for Applied Research, Norwegian School of Economics and Global Financial Integrity, 2015), 15, <https://www.gfintegrity.org>; Jason Hickel, *The Divide* (New York: W. W. Norton, 2017), (pp 24–26, 210–13, 289).

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portion of value added that goes to workers drops, both in emerging and developed economies.⁷⁰ To be sure, much of the captured value in the global South comes at the expense of “offshoring” jobs from the global North.

The study’s empirical analyses arrives at many conclusions that consistently converge into the same conclusions of our own research and assessment. Some of the fundamental conclusions are that:⁷¹

- The fact that much higher profit margins are generated by transferring production to periphery economies —vis-à-vis the profit margins generated in the metropolises of the system— is inescapable. The study’s assessment found that all four countries from the global South (China, India, Indonesia, and Mexico) have seen generally flat or declining unit labour costs relative to the US.
- Labour exploitation is hidden in today’s global chains.
- The labour-value commodity chains approach acknowledges various components largely missing from the other global-chain frameworks:
- global capital-labour relations;
 - the deep wage inequalities between the global North and global South;
 - the differential rates of exploitation on which the global labour arbitrage is based; and
 - the phenomenon of value capture.
- The labour theory of value as an analytical tool provides a more effective critique of the contemporary global political economy, which helps to understand how the global commodity chains are rapidly changing class relations and struggles worldwide.

Of paramount importance in this study is the fact that its final conclusion alerts that all of this takes place underneath the surface and is deliberately disguised to make it invisible to the casual observer. As it has become more pervasive, this imperialist exploitation and expropriation has

⁷⁰ ILO: World Employment Social Outlook — The Changing Nature of Jobs, 2015, (p143).

⁷¹ Intan Suwandi, R. Jamil Jonna and John Bellamy Foster: Global Commodity Chains and the New Imperialism, The Jus Semper Global Alliance, May 2019; <https://www.jussempir.org/Resources/Economic%20Data/Resources/GlobalCommodityChains.pdf> (pp.15 and 17).

become more disguised and invisible. To understand the nature of today's economic imperialism, it is therefore necessary to leave the realm of exchange in which so-called free trade is dominant, and enter the hidden abode of production, where the existence of extremely high rates of exploitation, revealed by unit labour cost analysis, lays bare the very essence of globalised monopoly-finance capital.⁷²

The systemic structures of exploitation imposed on Mexican workers, both from a domestic and a global perspective, that we have exposed herein, clearly explain why millions of Mexicans have seen their livelihoods destroyed or pauperised to levels that have forced them to migrate, mostly to the US in pursuit of a life that would provide them with a minimally dignified quality of life.

The underlying causes of Mexico-US immigration — NAFTA's predatory structures

With the gradual implementation of economic neoliberalism in Mexico, the first item on the agenda advanced by the US and enthusiastically endorsed by its periphery partner to the South was so-called "free trade". This would consolidate the ethos of neoliberal economics imposed by the elites who would directly benefit by seeing the productivity and profitability of their investments increase exponentially in a sustainable fashion. A key tool for a renewed colonisation was the General Agreement on Trade and Tariffs (GATT). This agreement (1948-1994) regulated trade of manufacturing products only. Commodities exported by the South were not protected. For a while, with the rules of trade explicitly designed for the benefit of the North, the South felt that it was at the losing end. Hence, most developing countries initially stayed outside for several decades to protect their economies from rather asymmetrical terms-of-trade. As the stepped up pressure of the centres of power made many developing countries relax their economic policies, they began to join the GATT, and global corporations established a dominant position in the periphery.⁷³ Mexico began opening its economy in the early 1980s, and as the oligarchy embraced neoliberalism it subsequently joined the GATT in 1986.

⁷² Ibidem. (p.18).

⁷³ Álvaro J. de Regil: *The Neo-Capitalist Assault: Development with Asymmetries: The Third World and its Post-War Development Strategies*, Essay One of Part II (Asymmetric Order and Collapse), The Jus Semper Global Alliance, 2001, pp 6-16.

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As free marketeering progressed, the timing for a “free trade agreement” became optimal. The North American Free Trade Agreement or NAFTA was the dream of Mexico’s robber barons to consolidate the imposition of the new economic ethos in the country by transforming Mexico’s economy into an export-oriented economy. For the US elite and particularly for the US shareholders of major multinationals it was also one more step in consolidating its grip on Mexico. Establishing a trade agreement that would enable them to extend their supply chains at a much lower cost would guarantee them an important boost to productivity, competitiveness and shareholder value. This would allow their companies to freely operate in the US, Mexico and Canada as if they were still in the same country. Foreign direct investment, capital goods, technology, raw materials, parts, and finished goods secured free passage to circulate around the three countries but workers would remain restricted to working in their own country of residence. This is in great contrast with the European Union, where, in addition to the free circulation of capital and goods, people are free to move, live and work in the member countries that participate in the Schengen Area, where passports and all other types of border controls at their mutual borders have been abolished.⁷⁴ This is because NAFTA is designed for the exclusive benefit of the big institutional investors who own the large corporations in the three member countries, whereas in the Schengen Area the European elite, albeit also neoliberal, it is not as extremely predatory [and racist] as the US is.

Mexico’s robber barons, led by the Salinas Administration (1988-1994) who, as is customary, ascended to power in a blatantly fraudulent fashion, negotiated NAFTA behind civil society because it is an agreement against Mexico. Nothing in NAFTA has as its *raison d’être* the pursuit of human development. Thus, the supposed benefits are exalted and the risks and costs are hidden because the former were to be enjoyed by the robber barons whilst the costs were to be socialised.

⁷⁴ According to the European Parliament, in 2014 there were almost 1,7 million people in Europe who work in another Schengen country from that in which they live, and every day some 3.5 million people cross internal Schengen-area borders. In addition, there are some 24 million business trips and 57 million cross-border goods movements within the Schengen area each year. European Parliament –At a Glance, The economic impact of suspending Schengen, EPRS | European Parliamentary Research Service. Author: Cemal Karakas, Members' Research Service PE 579.074 March 2016.

NAFTA is so pernicious that it served as the basis of the defeated Multilateral Agreement on Investment (MAI). The MAI was an attempt between 1995 and 1998 to impose a global constitution of rights for the owners of global capital. The MAI embodies the primeval element of neoliberalism. It is the clearest expression of its philosophy, where capital takes precedence over states and civil societies, since it attempts to impose rules that virtually destroy the concept of a sovereign state and of true democracy.⁷⁵ Pierre Bourdieu, from the Collège de France, provides an accurate description of its essence as the political measure designed to call into question any and all collective structures that could serve as an obstacle to the protection of foreign corporations and their investments from national states; for the logic of the pure market aims to transform and destroy the obstacles: the nation, the workers and their unions, associations, cooperatives and even the family.⁷⁶ In this way, the MAI pretended to suit the states.

However, this is a practice that regularly takes place in NAFTA by using Chapter Eleven. The first historic NAFTA case was Metalclad against the Mexican State, where Metalclad, a US waste management company, successfully forced Mexico's federal government to compensate it – because a municipality denied Metalclad the license to open a toxic waste management site. Indeed, the case of Metalclad's victory against the Mexican State is emblematic. Chapter Eleven of NAFTA stipulates that disputes between companies and NAFTA states will be examined by an international commercial court, acting in accordance with the ICSID Convention —a World Bank-linked institution— (on the Settlement of Investment Disputes between States and nationals of other states).⁷⁷ In this way, Chapter Eleven of NAFTA imposes the tutelage of the owners of the market over the sovereignty of the states.⁷⁸ With NAFTA, US and Canadian

⁷⁵ Álvaro J. de Regil: *The Neo-Capitalist Assault in Mexico: Democracy vis-à-vis the logic of the market*, The Jus Semper Global Alliance, 2004, (p. 10).

⁷⁶ Pierre Bourdieu, "The Essence of Neoliberalism," *Le Monde Diplomatique*, English edition, December 1998.

⁷⁷ Arturo Rafael Pérez García: *Una nueva forma de valorar el Tratado de Libre Comercio de América del Norte, a partir de las controversias suscitadas de acuerdo con el capítulo once*, *Revista del Centro de Investigación de la Universidad la Salle*, Vol. 5, núm. 20 (2003).

⁷⁸ Fernando Bejarano González: *El conflicto del basurero tóxico de Metalclad en Guadalcázar, San Luis Potosí*. In: Laura Carlsen, Tim Wise, Hilda Salazar (Coord.): *Enfrentando la globalización Respuestas sociales a la integración económica de México*. Colección América Latina y el Nuevo Orden Mundial. México: Miguel Ángel

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corporations can claim national rights in Mexico; namely they can exercise the same rights as if they were Mexican persons. Of course, Mexican, Canadian or US citizens cannot go to the other member states and claim to have the same rights as their citizens. These rights are to be enjoyed exclusively by the owners of the market and their corporations.

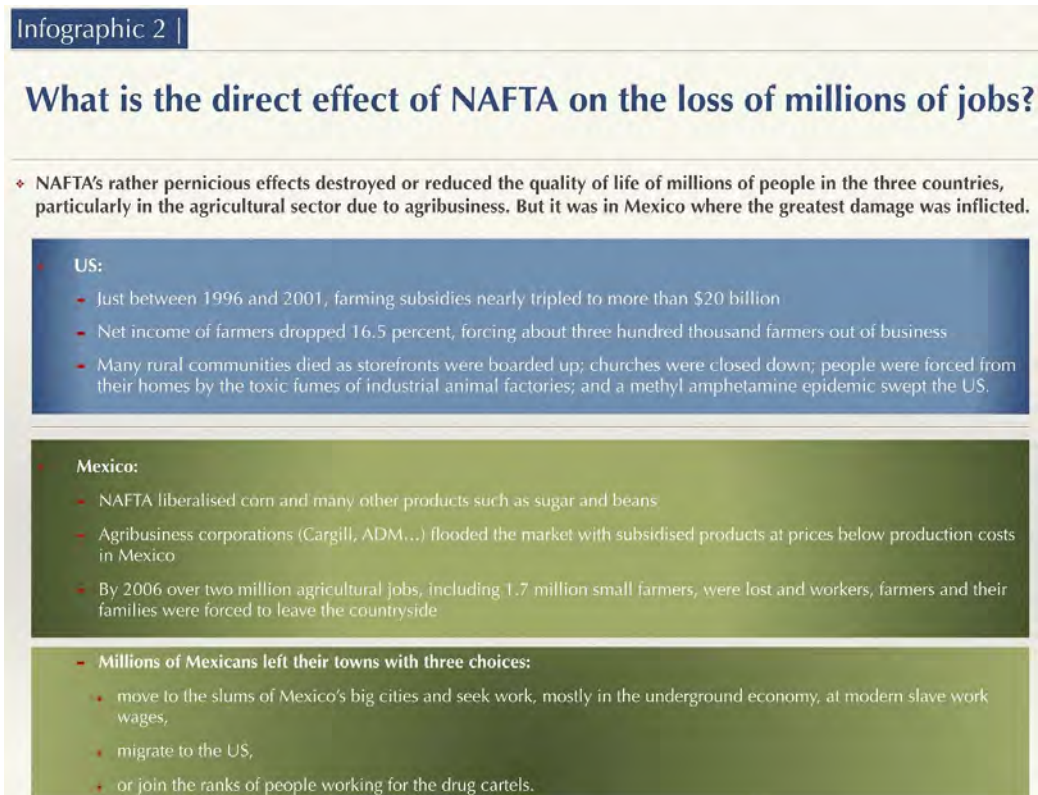
NAFTA's rather pernicious effects destroyed or reduced the quality of life of millions of people in the three countries. However, it was in Mexico where the greatest damage was inflicted for the benefit of financial markets and their shareholders. Let's briefly explore the agricultural sector, which has been devastated by US agribusiness. In Canada farmers have suffered adverse impacts since the Canada-US Free Trade Agreement of 1988. Although agricultural exports tripled from \$11 billion to \$33 billion from 1988 to 2007, net farm income fell more than 50%, from \$3,9 billion to \$1,5 billion. Thus Canadian farm debt more than doubled to \$54 billion. In the meantime, retail food prices climbed as farm prices fell. In this context, both Canadian farmers and consumers have lost in the post-NAFTA implementation period.⁷⁹

In the US, just between 1996 and 2001, farming subsidies nearly tripled to more than \$20 billion. However, net income of farmers dropped 16,5 percent, forcing about three hundred thousand farmers out of business, with many rural communities forced to board up and to close stores, while a methamphetamine epidemic exploded in these communities (infographic 2).⁸⁰

Porrua, Universidad Autónoma de Zacatecas, Global Development and Environment Institute Tufts University, Red Mexicana de Acción Frente al Libre Comercio, 2003.

⁷⁹ R. Dennis Olson: Lessons from NAFTA: Food and Agriculture, Institute for Agriculture and Trade Policy, Commentary, December 2, 2008.

⁸⁰ *ibidem*.



In Mexico, NAFTA immediately liberalised yellow corn whilst many other products, such as sugar, beans and white corn were gradually freed from any import tariffs. This cleared the way for agribusiness corporations such as Cargill and ADM to flood the market with subsidised products at prices below production costs in Mexico. The consequence is that millions of Mexicans were completely displaced and many towns were turned into ghost towns as people were forced to leave with their livelihoods completely destroyed (infographic 2).⁸¹ This is without taking into consideration that the destruction of millions of livelihoods began in the countryside after 1992, in preparation for NAFTA, with the amendment of Article 27 of the Mexican Constitution. This devastating amendment was pushed by, literally, “Mafia State” president, Salinas de Gortari, to allow the privatisation of the ejido system,⁸² which gave way to

⁸¹ Antonio de la Cruz: Nacen “Pueblos Fantasma” por pobreza e inseguridad. *Expreso.press*, 24 de octubre 2016.

⁸² The Ejido is a historical concept of land use. It is communal land to be exploited for agriculture and animal husbandry by and for the benefit of Ejido members. The Ejido came into force in the twentieth century as a result of the Constitution of 1917 that emanated from the Mexican Revolution, redistributing the large properties that

the ownership of many ejidos by large domestic and multinational corporations, for whatever use they chose to apply.⁸³ These constitutional revisions not only ended redistribution of land to the ejidos but also paved the way for the mass transfer of rural land from indigenous communities to multinational food corporations (Kelly 1994).⁸⁴

Furthermore, as part of its complete adherence to the neoliberal mantra, Mexican governments dismantled all the safety nets that protected the rural sector and the urban poor. Four public entities stand out. Conasupo, the key administrator of farming subsidies and food programmes for the poor was dismantled in 1999. Pronase, the national producer of seeds, was closed at the beginning of the Fox Administration at the start of the century. Fertimex, the national fertiliser producer, was privatised in the 1990s, and Banrural, the public bank that provided credit loans to farmers, was closed in 2003.⁸⁵

As is customary, the closing of all four entities was covered in a thick veil of embezzlements and other corruption practices. The fraudulent practices against CONASUPO were blatant and thoroughly documented and stand out given its size and its impact on a large sector of the population.⁸⁶ According to Mexico's 2010 census, 26 million Mexicans lived in rural communities, accounting for 23,5 percent of the population, and all were regarded as enduring some degree of poverty. According to the Mexican government's National Evaluation Commission on Social Development Policy (CONEVAL), 58,2 percent of the rural population is poor, and 34,8 percent are ill-protected due to their exclusion from at least one social service,

belonged to private owners. These landowners had previously dispossessed the original owners of their lands (indigenous and mestizo rural communities) after Mexico's independence. The ejido system is the traditional form of land use since the pre-Columbian era in Mexico and lasted for more than three centuries until the dispossession of communal land began in 1856 with the Ley Lerdo. The constitution of 1917 recovers the communal rights that later are gradually eliminated with the modification of article 27 in 1991.

⁸³ James J. Kelly: 1994 Article 27 and Mexican Land Reform: The Legacy of Zapata's Dream (1994). Scholarly Works. Paper 668. http://scholarship.law.nd.edu/law_faculty_scholarship/668

⁸⁴ *ibidem*, (p 541).

⁸⁵ Erika Ramírez: TLCAN: El peor desastre para los campesinos, Contralínea, 10 September 2017.

⁸⁶ Álvaro Delgado. La liquidación de la empresa, tierra sobre las pruebas contables de un fuerte daño a la nación. Impunes, los más grandes beneficiarios y cómplices del saqueo de Conasupo en dos sexenios sucesivos. Proceso, 4 de abril de 1999.

such as education, healthcare, social security and appropriate housing. Only seven percent of the rural population in 2016 is not poor and is not deprived of any social service.⁸⁷ Farming communities were completely abandoned by the state. NAFTA included 10-to-15-year tariff phase-out periods for corn and other basic grains, along with strict import quotas, to protect Mexican farmers against the highly-subsidised US agribusiness corporations. Yet the Mexican government, arguing a shortage of grains, opened the economy to US exports far above the quotas and then refused to collect import tariffs.⁸⁸ On top of that, NAFTA triggered a tremendous health crisis for the vast majority of the Mexican population when it opened the gates to a flood of junk food imported from the US. This decision triggered an explosion in the incidence of obesity and malnutrition by allowing US corporations to flood the market with pernicious fast food and soft drinks imported tax-free from the US.

Almost a quarter of a century later Mexico endures the world's second highest obesity rate and a growing child malnutrition crisis that did not exist before. Mexico's health ministry said in 2016 that 72% of adults were overweight or obese.⁸⁹ Between 2000 and 2012 the prevalence of diabetes in Mexico increased by 60% to 9,1%, according to Mexico's National Institute of Public Health.⁹⁰ This has become a major crisis in public health. In 2017, the International Diabetes Federation ranked Mexico fifth among the top ten countries with diabetes (ages 20-79), only behind China, India, the US and Brazil, making this disease the main cause of death along with cardiovascular diseases in Mexico.⁹¹ But North American companies are free to roam the country in pursuit of greater profits at the expense of public health, among many other costs. To be sure, the Mexican government acts in effect de facto as an agent of US big corporations and not as the agent in pursuit of the welfare of the Mexican Demos. There is a specific term in

⁸⁷ Consejo Nacional de Evaluación de la Política de Desarrollo Social. Informe de Evaluación de la Política de Desarrollo Social 2016, Ciudad de México: CONEVAL, 2017, pp 32 and Statistical Annex, table 17.

⁸⁸ Timothy Wise: NAFTA's untold stories: Mexico's grass roots response to North American Integration, America's Program Policy Report, June 2003.

⁸⁹ James Whitlow Delano and Hannah Summers: The trade deal that triggered a health crisis in Mexico – in pictures, The Guardian, January 1st 2018.

⁹⁰ Instituto Nacional de Salud Pública: Encuesta Nacional de Salud y Nutrición 2012, (p 17).

⁹¹ International Diabetes Federation: IDF Diabetes Atlas 2017, (p 47).

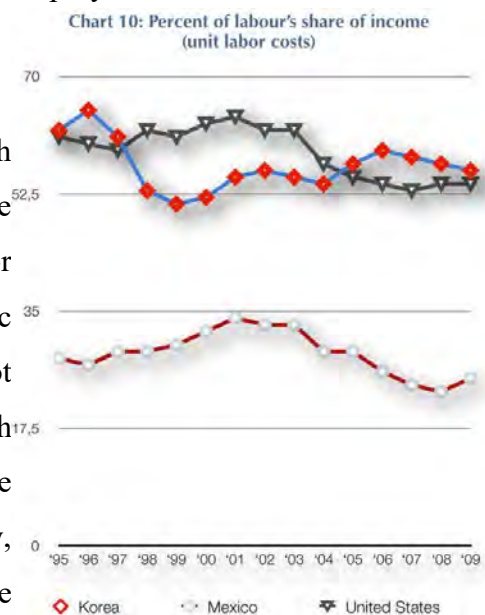
Spanish for this kind of demeanour: “cipayo”, a person who serves the foreign interests of a country, especially if he holds a political office.

Mexico’s elite wilful dependency on periphery structures | In the industrialised cities of Mexico, before NAFTA, the corporate sector was never willing to invest in research and development to produce capital goods and new technology. Mexican industrialists were happy with importing them, paying licensing royalties and selling to the imports-protected domestic market, where they were used to paying hunger wages to their employees and particularly to their blue-collar workers. A comparison with South Korea clearly illustrates the cipayo nature of Mexico’s robber barons. In contrast with South Korea’s development path, Mexico’s oligarchic class has never been interested in development with some degree of equity. Its only interest has been to rack short-term gains by cultivating its centre-periphery relationship. A comparison of South Korea and Mexico’s economic paths followed since WWII is rather striking and clearly explains why Mexicans are in shambles more than two decades after NAFTA. South Korea’s success vis-à-vis Iberian American economies is anchored on the fact that, from inception, it applied economic policy with a staunchly nationalistic lens in pursuit of growth with equity, and, until recently, fought to maintain in check the global neoliberal assault under the same lens. In other words, although the system is unquestionably capitalist and, thus, suffers from all of its inherent contradictions, South Korea’s regimes, both authoritarian and of representative democracy, had a meaningful degree of unrelenting social commitment, quite possibly imbued by Confucian values as opposed to Iberian America’s Western culture, where individualism stands out prominently. Consequently, at its root, Korea’s economic policy during all of its development stage, until the Asian crisis, sought an endogenous development anchored on demand-side economics and applied a degree of social fordism, regardless of its contradiction with the natural instinct for short-termism and maximisation of profits prevalent in the chaebol culture of its business conglomerates.

Indeed, South Korea took the decision from inception of its industrialisation path to become an exports powerhouse. Although it initially anchored it on cheap labour, it also concurrently

worked to develop the economic structures that gradually would increase the added value of its exports with high-skilled labour and incipient but endogenous technologies. The South Korean State policy was essentially, for the most part of its development era, a “growth with equity” development paradigm anchored on nationalism. To accomplish this it was indispensable to establish a State-driven, instead of a market-driven, economic policy through the dirigiste State to discipline the South Korean conglomerates. In this way, all other elements, such as FDI, trade policy, monetary policy, R&D, Welfare State and other elements were envisioned in the context of a nationalistic pride to grow with equity. Chart 10 illustrates the huge gap in the labour’s share of income for all economic sectors between Mexico, South Korea and the US.⁹² Hence, while Iberian America opted and stuck to a capital-intensive strategy that disregarded the need to provide employment in the formal economy, South Korea initiated its development path with a labour-intensive strategy that gradually achieved full employment. It could have not been accomplished in any other way.

A comparison with Mexico’s industrialisation path provides an excellent illustration of the concrete differences in economic philosophy and management, for Mexico constitutes a paradigmatic case of economic development failure, exposing precisely what should not be done in economic development. As in the case of South Korea, Mexico also had a mixed economy with the State in the driver’s seat of development and economic policy, with a strategic development plan set out to be implemented every six years. It had many State-owned enterprises, it nationalised the oil and light and power energy industries and it anchored its development on endogenous growth through import substitution, without seeking to become an export oriented economy. It also practiced – and continues to do so – a high degree of crony capitalism, with about ten large business



⁹² OECD Stat Extracts: Unit Labour Costs - Annual Indicators: : Labour Income Share Ratios Data extracted on 23 Sep 2013.

conglomerates that remain after many were sold to global corporations. Crony capitalism inevitably carries inherent conflicts of interest and a monopolistic culture induced by the State. Crony capitalism between the State and chaebols is also endemic in South Korea. Yet, in deep contrast with South Korea, the Mexican political/business oligarchic class has always refused to break the dykes that hinder social mobility. Opposite to South Korea's model, Mexico's model is anchored on the customary centre-periphery partnership. There is an implicit partnership between the metropolises, their corporations and the Mexican political/business oligarchy to maximise benefits by extracting maximum value from Mexico's natural and labour endowments. The nationalistic fervour rather evident in South Korea's capitalism is nowhere to be seen in Mexico's case.⁹³

One among many frequent criticisms against Mexican immigrants is that "Mexico steals jobs because its wages are so low due to NAFTA, that US companies cannot resist transferring millions of jobs to increase profits". However, this myth is easily debunked by unveiling the hard data on how the elite of the less than one percent in both countries work in connivance to appropriate much of the labour value from Mexican workers. Consequently, for those who are vexed about the eleven million undocumented immigrants and particularly about the millions of undocumented Mexican immigrants that have "invaded" the country, they must first become aware of and acknowledge that the deliberate labour exploitation that materialises through the huge gap between the wages paid in the US and Mexico is truly the root cause of why millions are forced to migrate to the US as economic refugees. They are fleeing from the Modern-Slave-Work ethos that has been imposed on Mexico by the customary partnership between the US and Mexican oligarchic elites working in connivance. They are economic refugees of this ploy designed to capture their labour value.

In the immigration debate, the customary demeanour of anti-immigrant sectors is that they want to "think" that the US has no responsibility whatsoever for the plight of these immigrants.

⁹³ See: Álvaro J. de Regil: South Korea's tortuous road towards a living-wage ethos. A TLWNSI Living-Wage Assessment. The Jus Semper Global Alliance, October 2013.

Mexicans come to the US, particularly since NAFTA, because they are starving in their own land, want to live a dignified life and refuse to work for bondage wages, get involved in illicit activities or starve with the hunger wages of the informal economy. If wages are increased to the level required for them and their families to enjoy a quality of life worthy of human dignity, they would immediately stop migrating to the US and the issue of undocumented immigration would be solved rapidly and permanently.

There is a carefully designed system of wealth extraction that has benefited the oligarchic elites on both sides of the border since the late XIX century, but this exploitation has become exacerbated with neoliberal globalisation since the mid 1980s and all the more so since 1994 with NAFTA. There are now US companies, such as the Offshore Group, that make their business out of attracting US companies to move manufacturing operations to Mexico, especially to the in-bond plants, also known as the maquiladora segment of the global supply chain, the most exploitative of all operations in the chain. Their key point in their sales pitch is always cheap labour: One of the primary benefits of manufacturing in Mexico is tremendous cost savings the country provides to businesses. Mexico boasts highly skilled, dependable labour that is 80 percent cheaper than the cost of the US.⁹⁴ The in-bond plants sector of “free-trade zones” that initially was allowed only on a stretch along the border, was expanded in 1980, and by the summer of 2017 it had grown exponentially. If in 1976 the sector had 448 plants employing 74.500 workers, by the summer of 2017, it reported 6.166 plants employing almost 2,9 million workers, at Modern-Slave-Work prices.⁹⁵ The level of exploitation, labour and human rights violations, and workplace hazards and insecurity is the worst in the industrial sector.⁹⁶ This includes the murder or disappearance of hundreds of female maquiladora workers in Ciudad

⁹⁴ The Offshore Group: Advantages of Manufacturing in Mexico, <https://offshoregroup.com/manufacturing-mexico/advantages-manufacturing-mexico/> accessed on 24 November 2017.

⁹⁵ Source for 1975: Armando Ibarra and Alfredo Carlos: Mexican mass labor migration in a not-so changing political economy. *Ethnicities*, 2015, Vol. 15(2) 211–233 !The Author(s) 2015. Sage Publications. Source for 2017: Consejo Nacional de la Industria Maquiladora y Manufacturera de Exportación, A. C: Balance del Sector Exportador, 10 October 2017.

⁹⁶ Joshua M. Kagan: Worker’s rights in the Mexican maquiladora sector: Collective bargaining, women’s rights, and general human rights: Law, norms, and practice. *Journal of Transnational Law & Policy* 15: (pp 153–180).

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Juarez and many cities along the border. The main reason for offshoring into Mexico is, to be sure, cheap labour costs that allow employers to pay slave work wages.⁹⁷ Local content of raw materials or parts to be exported has remained for decades at less than 4%.⁹⁸ Efforts have been made to move from the basic assembly of imported parts and textile production into actual high-tech manufacturing in automotive, aerospace and electronics. However, the major factor being played out remains extremely cheap labour that does not cover the cost, by far, of the basic basket of goods. Furthermore, knowingly or unknowingly, this system has not only benefited institutional investors, but also many US workers and practically all consumers.

The maquiladoras or assembly plants sector of mostly imported parts from US companies, was not significant until the 1980s when the new and staunchly neoliberal members of Mexico's robber class reengineered the economic structures of the country. Between 1981 and 2000, maquila/assembly plant exports grew 16 percent yearly, whilst manufacturing exports achieved 13 percent a year. This made manufactured goods 80 percent of total merchandise exports, with almost all exports (90 percent) bound for the US. Nonetheless, 42 percent of the value of exports came from US parts and materials;⁹⁹ a fact exacerbated because the vast majority of Mexican industrialists remaining continued with the tradition of seldom investing in R&D and in the development of a highly-skilled work force and of managerial expertise. James Cypher accurately assesses the vision of Mexico's cipayo elite as one that sees Mexico's role as limited to dumping – cheap labour, environmental and fiscal.¹⁰⁰

Relative to the export of non-maquiladora manufacturing, the composition of exports clearly exposes the process of transformation of Mexico's economic structure from an import-substitution model into an assembly export model with a high content of imports. This destroyed the previous model, dismantled many processes that linked the development of endogenous

⁹⁷ Anne Vigna: Mexico: Hell is the Tijuana assembly line. A TLWNSI Issue Brief. The Jus Semper Global Alliance, September 2010.

⁹⁸ INEGI: Estadísticas Económicas. Industria Maquiladora de Exportación. Publicación mensual, February 2007.

⁹⁹ James M. Cypher: Mexico's Dependant Economy – Manufacturing wages lower than in China, The Jus Semper Global Alliance, A TLWNSI Issue Commentary, September 2017.

¹⁰⁰ Ibidem

manufacturing and replaced them with the increasing export of imported content in manufacturing. By 1999, the imported content –from the US and elsewhere– already had a share of 57 percent of total manufactured exports.¹⁰¹ The automotive industry is an emblematic example of the abandonment of local content in manufacturing that is replaced with imports. The Decree of the Automotive Industry of 1962 required a minimum of 60 percent of local content. The Decree of the Automotive Industry of 1989, five years before NAFTA, reduced local content to 36 percent. Given that the automotive industry is the main exporter of manufactured goods and considering its multiplying effects on many supplier sectors, such as glass, steel, tires and plastics, the impact of the local content reduction in the sector has a rather negative multiplying effect on all supplying sectors. This has dismantled a good part of domestic supply chains.

Worse still, currently more than eighty percent of all exports come from around 500 large-scale companies, of which the majority are transnationals or domestic companies with foreign participation. We can infer then that the linkage of small and medium enterprises in exports – traditionally the main generators of jobs– is now minor given its lack of linkage with the oligopolistic circuit of large domestic and foreign companies and the virtual abandonment with which the government has rendered them for decades.¹⁰² This has severely decimated the productive chains in the economy. The neoliberal policies of the the partnership between the domestic robber barons and that of the tutelary robber barons coming from the metropolises of the system has deepened an export model that exacerbates the sale of labour at Modern-Slave-Work prices. The end result is that Mexico has been reengineered into a maquiladora territory. This is, in effect, an incontrovertible fact not only for the exports of the maquiladora sector itself, but also because manufactured exports currently have such a low local content that Mexico has actually become an exporter of assembled imports.

¹⁰¹ René Villarreal, *Industrialización, Deuda, y Desequilibrio en México (1929-2000)*, Fondo de Cultura Económica 2000, (p 678).

¹⁰² Víctor Flores Olea y Abelardo Mariña Flores. *Crítica de la Globalidad. Dominación y Liberación en Nuestro tiempo*. Fondo de Cultura Económica, 2004

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For workers in the cities, economic reengineering translated into a deliberate systemic pauperisation of their standards of living through an explicit real wage erosion policy. Millions lost their jobs in manufacturing as small and medium size companies –which were responsible for the generation of the vast majority of jobs– were forced to close, first when Mexico joined the GATT and then when NAFTA came into effect, given that they were unable to compete with large US and other foreign corporations that flooded the market and bought many of the larger Mexican companies. Walmart bought the largest retailer. Heineken and InBev bought the two largest and centuries old brewing companies. Many small and medium Mexican companies also lost access to credit when the state development institutions of the old import substitution model were closed or changed their mission and financing became mostly a private business. Mexican banking, which had a number of banks that had been in existence for over a century, were all sold to foreign banks, mostly from the US, Spain, Canada and the UK.

A particularly important benefit of NAFTA for the US is the invisible but real trade surplus with Mexico. We have already explained that Mexico's exports actually have a major component of US content exported to Mexico and then imported to the US once assemble has been done in Mexico. Both governments as well as mass media, both in the US and Mexico, have always told the story as if Mexico has enjoyed a tremendous surplus from its trade relationship with the US. As could be expected, Trump has always exploited this to his advantage. The US has a 60 billion dollar trade deficit with Mexico. It has been a one-sided deal from the beginning of NAFTA with massive numbers... This is an actual tweet¹⁰³ from Trump to use against Mexico regarding NAFTA, where his anti-Mexican stance is exposed as the quintessence of fake news. In Trump's first year (2017) the US trade deficit in goods with Mexico was up 10,4% to \$71 billion, the highest since 2007,¹⁰⁴ despite his Mexico trade-bashing rhetoric that included scrapping NAFTA unless it was revised to make America (sic) great again. It should be pointed out, however, that Trump's anti-NAFTA hyperbolic fake news is just part of his anti-Mexico demagoguery. A great portion of the trade deficit with Mexico is a US surplus in disguise, because Mexico is actually

¹⁰³ Trump's tweet dated 26 January 2017 at 5:51 am.

¹⁰⁴ US Census Bureau: Trade in goods with Mexico

exporting an enormous amount of US products. The true trade balance is the difference between the value-added share of each country in an import-export transaction. In the case of Mexico, a great portion is just labour used to assemble US parts at much lower costs.¹⁰⁵ But Trump argued this well aware that it was a wrong assessment of trade exchanges, but he also attempted to use a cheap trick to make deficits with any country to appear even greater than they actually are to fulfil his rhetoric.¹⁰⁶ He attempted to treat “re-exports” —or goods that come into the US and are immediately shipped out again— not as exports but as transactions to be tallied on the import side of the ledger to make the trade deficit look much bigger.¹⁰⁷ This is exactly how he manipulates trade data between Mexico and the US, where a substantial percent of Mexico’s exports to the US were actually US parts exported to Mexico. A report from the Wilson Centre shows that in 2010 a full 40 percent of the content of US imports from Mexico were actually produced in the United States.¹⁰⁸ This is a result of a detailed analysis of the National Bureau of Economic Research.¹⁰⁹

In 2010, according to the US Census Bureau, US exports of goods to Mexico were \$164 billion and imports of goods from Mexico \$230 billion, with a gross US deficit of \$66 billion. Therefore, if 40% of Mexico’s exports to the US are US exports to Mexico, then \$92 billion should be deducted from Mexico’s exports for a net figure of \$138 billion of Mexico exports to the US. Consequently, the net trade balance is actually a US surplus of \$26 billion (\$164 billion exports and \$138 billion imports). Again the true trade balance between the two countries is the net exchange of domestic value added in all the trade transactions. Consequently, despite the fact that US governments customarily complain of enduring a trade deficit with Mexico and Mexican

¹⁰⁵ Chad Brown: Column: Trump’s border tax is not the right fix for US-Mexico trade, PBS News Hour, 30 January 2017.

¹⁰⁶ Opinion: A Trump Statistical Trade Trick – Officials borrow phony deficit math from liberal protectionists. The Wall Street Journal, 20 February 2017.

¹⁰⁷ Jessica Holzer: Economists to Trump: It’s Not the Trade Deficit, Stupid, Foreign Policy, 22 February 2017.

¹⁰⁸ Christopher E. Wilson: Working Together – Economic ties between the United States and Mexico, Woodrow Wilson International Center for Scholars, November 2011, (p. 2).

¹⁰⁹ Robert Koopman, William Powers, Zhi Wang and Shang-Jin Wei, Give Credit Where Credit is Due: Tracing Value Added In Global Production Chains, National Bureau of Economic Research Working Paper No. 16426, Cambridge, Massachusetts: September 2010, revised March 2011, (p. 38).

governments bragging about enjoying a big trade surplus, NAFTA is a bad deal for Mexico, because it is an efficient system of wealth extraction, particularly by sustaining a structure of labour value extraction. If Mexicans were paid living wages instead of hunger wages in the tasks they perform in the assembly lines of global corporations, then Mexico would enjoy a surplus, but it is actually the other way around, in disguise.

Essentially, NAFTA transformed the Mexican socio-economic quintessence from one designed for endogenous economic growth, but with no interest whatsoever in growing with equity, into a mass exporter of imports, Modern-Slave-Work labour and natural resources. Because of the structures imposed by the conniving agency of the elites of both countries, NAFTA has produced a completely predatory effect on the Mexican economy and the livelihood of millions of Mexican families, who in vast numbers were forced to migrate to the US as a matter of survival. First and foremost, Mexico has indeed become a *Fábrica de Pobres* or “Factory of Pauperised People”, as Boltvinik rightly qualifies it.¹¹⁰

NAFTA 2.0 — the consolidation of its predatory structures | Lastly, NAFTA 2.0 will only exacerbate the depredation of Mexico’s national resources and the further pauperisation of the citizenry. The agreement was negotiated by the previous government in the same context of sustaining the same predatory structures of NAFTA. The new government, that likes to portray itself as “progressive”, did not question the final document and, despite having a majority of more than 50% in both chambers of Congress, it swiftly approved and published its approval in the Federal Gazette.¹¹¹ As the preceding government did in 1994, it approved the deal behind closed doors, consulting only with top business organisations, and with no intention to duly inform the Demos about the main elements of the new agreement. In congruence with such demeanour it made no effort to engage the Demos by establishing a dialogue with organised civil

¹¹⁰ Julio Boltvinik: *Economía Moral — Fábrica de pobres*, La Jornada, 14 de Julio de 2000.

¹¹¹ DOF: 29/07/2019 DECRETO PODER EJECUTIVO SECRETARIA DE RELACIONES EXTERIORES DECRETO por el que se aprueba el Protocolo por el que se sustituye el Tratado de Libre Comercio de América del Norte por el Tratado entre los Estados Unidos Mexicanos, los Estados Unidos de América y Canadá, hecho en Buenos Aires, Argentina, el treinta de noviembre de dos mil dieciocho.

society. Its posture was exactly the same as that of all previous governments, despite the fact that this is supposedly the first left-of centre government in the history of Mexico. Mexico now awaits the approval by the US and Canadian legislatures, which will take at the very least the rest of 2019.

Thus, as to be expected, NAFTA remains strictly a “free trade” accord for the less than one percent of Mexico, US and Canada and shows very little improvement in some areas and a critical negative element for Mexico in particular. The treaty’s only meaningful positive elements have been the phasing out in three years of Chapter 11-B, the Investment-State Dispute Resolution regime (ISDS), which relies on arbitration through private law firms instead of public courts. It also forces Mexico to a labour reform to ratify ILO Convention 98 (Freedom to Organise and Collective Bargaining); which is ironic because Mexico and Canada have ratified ILO’s eight fundamental conventions, whilst the US has ratified only two, and has no intention of ratifying the remaining six, including Convention 98.¹¹² It would eventually remove the original NAFTA Investment Chapter incentives to outsource US jobs, and it eliminates major threats to environmental protection policies.¹¹³

A debatable issue is the positive take by stakeholders such as Public Citizen/Global Trade Watch on Mexico’s labour reform to incorporate ILO’s 98. This is indeed positive and it has already been carried out by Mexico’s Congress at the end of 2018. Public Citizen’s assessment states that Labor Standards Must be Strengthened and Swift and Certain Enforcement Ensured: The NAFTA 2.0 text includes modest but meaningful labor standards gains. Further improvements are needed. The deal has one outstanding feature: rules to end wage-suppressing “protection contracts” in Mexico. If enforced, this could make a real difference over time to raise Mexican wages, which also would cut incentives to outsource jobs to Mexico. BUT, the NAFTA 2.0 text does not have the monitoring or enforcement terms necessary for the rules to [make] a difference

¹¹² ILO: Ratifications of fundamental Conventions by country

¹¹³ Public Citizen: Analysis of the NAFTA 2.0 Text Relative to the Essential Changes We Have Demanded to Stop NAFTA’s Ongoing Damage, November 2018.

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for workers. “Unless strong labor terms are subject to swift and certain enforcement, US firms will keep outsourcing jobs to pay Mexican workers poverty wages.”¹¹⁴

Public Citizen’s assessment is correct. It all depends on the new Mexican government to enforce Convention 98, so that unions freely organise and collectively bargain with employers for better wages, which would throw away the customary agreements between corrupt union leaders fraudulently elected, who work in connivance with employers for their own gain and in detriment of workers. It is too early to tell. The Mexican government has increased the minimum wage meaningfully for the first time in 36 years. On the other hand, it continues to legitimise extremely corrupt leaders, such as Romero Deschamps, the corrupt secretary of the official Pemex union, the state’s oil company. Rebel union members have ratified three legal suits against him for long-standing corrupt practices; so he is under investigation by several state instances, and yet the new government has just signed a new labour agreement with him as the official representative of Pemex’s trade union. This is definitely an ominous sign.¹¹⁵

The most negative issue, however, is the new Rules-of-Origin provision for the motor-vehicle industry, where the parties agreed on a labour value content (LVC) of 40 percent for passenger vehicles and 45 percent for light and heavy trucks; a new concept for NAFTA. This entails that 40/45 percent of the value of autos and light and heavy trucks must be produced by workers paid \$16/hour on average to qualify as “originating” in North America for zero trade tariffs.¹¹⁶ Public Citizen considers a positive sign the fact that, for the first time, trade benefits are conditioned by wage standards. Nonetheless, it rightly concludes that it is difficult to calculate its real effect. Only the auto firms know precisely where each element of their product is made, and thus whether production must be relocated to high-wage countries or whether wages must be raised to meet the rules.¹¹⁷

¹¹⁴ Public Citizen: Phase 2 in the Battle to Replace NAFTA & Stop Its Ongoing Damage , November 2018.

¹¹⁵ Firma de contrato de Pemex con Romero Deschamps, "un mal indicio" y una incongruencia: Ana Lilia Pérez, Aristegui Noticias, 2 de agosto 2019.

¹¹⁶ AGREEMENT BETWEEN THE UNITED STATES OF AMERICA, THE UNITED MEXICAN STATES, AND CANADA, Chapter 4, Rules of Origin, article 7: Labour Value Content (pp 4- B-1-26-27) = pp. 251-253).

¹¹⁷ Public Citizen: Phase 2 in the Battle to Replace NAFTA & Stop Its Ongoing Damage , November 2018.

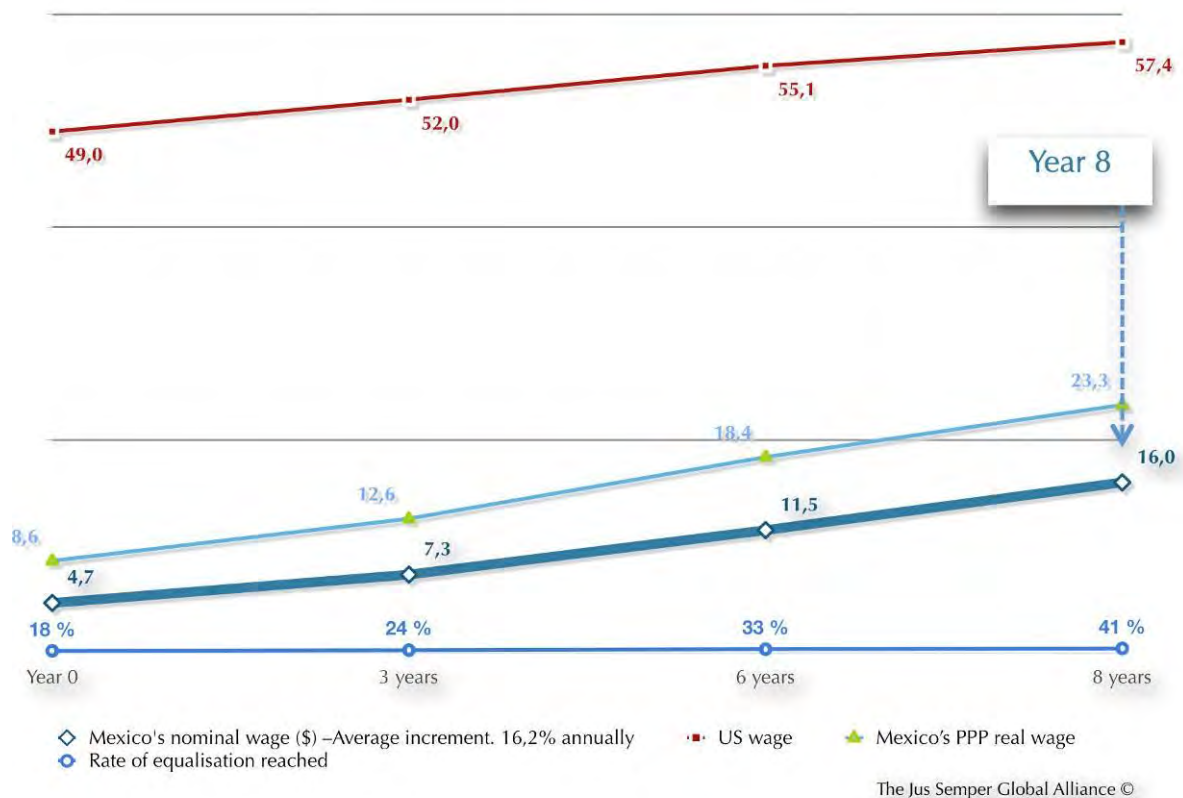
In my assessment, this is a Trojan horse from the Trump Administration against Mexico. This is the case because the gaps on real PPP wages in manufacturing, and specifically in the automotive industry, are so enormous that it would take at the very least two decades to fully close them. However, even if we apply the actual increase for 2019 of 16,2%, and we only project to achieve a nominal wage of \$16/hour, instead of closing the wage gap, it would take until about 2027 or roughly eight years to reach the motor-vehicle threshold if all assumptions materialise (chart 11), which would reduce the gap —following the principle of equal pay for equal work of equal value— to about 59% instead of the current 82%. Yet, although there is no inflation provision in article 7 of chapter 4 in the agreement, it would surely take more years considering that the \$16/hour threshold would probably be adjusted over the years to account for inflation. This means that, knowing Trump, if he is still in power for another term, he could easily demand that a chunk of motor vehicle production originating in Mexico be transferred to the US because the LVC of \$16/hour was not met in Mexico.

In 2016, the hourly total compensation costs in the automotive industry were \$4,68/hour in Mexico and \$48,97 in the US. So when the agreement takes effect in 2020, the rate would very likely be below \$6/hour, clearly below the \$16/hourly threshold. This would be disastrous for Mexico given that the most important sector in NAFTA is precisely the motor- vehicle industry. The only proviso in the agreement, as Public Citizen rightly points out, is that the text of the document does not stipulate whether production must be relocated to high-wage countries or whether wages must be raised to meet the rules.¹¹⁸ And there are no procedures established to compile the pertinent data and determine the course of action. However, it is already a known

¹¹⁸ Ibidem.

fact that Mexico does not and will not meet that threshold for many years, even if the Mexican government fully commits to closing the gap in the shortest period of time.

Chart 11. Eight-year projection of Mexico's hourly nominal wage rates (total compensation costs) of all employed in manufacturing – average increment of 16,2% annually until reaching the \$16/hour motor-vehicle threshold in NAFTA 2.0. (US dollars)



There is also a provision in chapter 32 with special dedication to China. Article 32.10 stipulates that Entry by a Party into a free trade agreement with a non-market country will allow the other Parties to terminate this Agreement on six months' notice and replace this Agreement with an agreement as between them (bilateral agreement).¹¹⁹ The US has labelled China a non-market country, which in practice is a dislike by the US of China having state-owned enterprises and

¹¹⁹ AGREEMENT BETWEEN THE UNITED STATES OF AMERICA, THE UNITED MEXICAN STATES, AND CANADA, Chapter 32, Rules of Origin, article 32.10: Non-market country FTA (pp 32-11).

state- owned banks. Of course the real reason is to keep challenging China, and in this specific case to threaten Mexico and Canada with not even attempting to close a trade deal with China. However, most analysts think this is a toothless mechanism that will not gain any traction. One expert analysis states that Frankly, the irony of the US putting forth this mechanism—in particular its focus on “free trade”—stretches credulity. Whereas the USMCA itself is largely a step backwards from a free trade agreement, now, in the context of a non-market economy aka China, of all places, the US is keen to focus on the dangers of a free trade agreement!... If this assessment is correct, as Canada and Mexico did, other countries will have little problem signing on to such a sham clause knowing full well they’ll never be affected by it.¹²⁰

Lastly, an assessment of NAFTA effectively sums up what it does to the the rest of Mexicans other than the less than one percent:¹²¹

- It triggers a process of reverse accumulation or de-accumulation; namely it represents a net capture of labour value, transferring it from Mexico to the US economy via the maquiladora system;
- It transfers a skilled labour force whose reproduction and training were previously paid by the Mexican economy;
- It dismantles the productive structures developed to serve the domestic economy, destroying the local supply chains developed to serve the domestic market during the demand-side post-war era;
- It has drastically reduced the pool of qualified formal employment, destroying the sources of formal employment and consequently expanding the growth of informal employment to make the “precarious employment” the “new normal” of total employment.

¹²⁰ Harry G. Broadman: NAFTA 2.0's Poison Pill For China Will Turn Out To Be A Dud, Forbes 15 October 2018.

¹²¹ Humberto Márquez Covarrubias, Raúl Delgado Wise, Óscar Pérez Veyn: Precarización de la fuerza de trabajo mexicana bajo el proceso de reestructuración productiva estadounidense, Revista Thoemai / Themai Journal, number 14, second semester 2006, (p 108).

In a nutshell, NAFTA has become a true Trojan horse designed to maximise the extraction of wealth at the expense of the obliteration of any possibility, for the vast majority of Mexicans, of enjoying a dignified quality of life.

Trends in immigration flows from Mexico in the last three decades

As a direct result of the systemic structures of global neoliberal capitalism, the worst and most perverse version of capitalism, hundreds of millions of people have been dispossessed of their right to develop their own capacities to enjoy a dignified quality of life in their homelands. Unrelenting economic wars, as in the case of Mexico, or outright military interventions of the metropolises of the system in pursuit of their own geo-political interests, which are always securing new resources –including human labour– for the reproduction and accumulation of capital, have produced a constant flow of economic refugees across the world. It is always the global South that suffers these systemic aggressions for the benefit of the metropolises of the global North, mostly the US, the G7 and the EU. Through their structures of neocolonial imperialism, they are directly responsible for the waves of refugees flowing towards them. But of course, they will never acknowledge their responsibility nor will they receive the refugees of their own doing. They want to have it both ways: capture the labour and natural resources value of these countries and reject receiving the millions that have been dispossessed by their policies of economic, political and military intervention.

Mexicans in particular have always had a presence in the US, given that half of Mexico's territory was taken by force in 1847. As a result, there have always been communities of Mexicans in the Western and Southwestern US. Since then, millions have moved north in pursuit of a livelihood, often through bi-national duly-endorsed programs but also informally and without the proper documentation.¹²² The US historical record on Mexico has always been a story of aggression, destitution, exploitation, racism and criminalisation, such as the quasi-fascist Broken-Windows

¹²² For a detailed presentation of the major migratory events of Mexicans in the US from a socio-economic perspective, see: Álvaro J. de Regil: Debunking the myths behind US malice towards Mexico, The Jus Semper Global Alliance, May 2018.

strategy and the Fast and Furious fiasco.¹²³ The most conspicuous events in this record are ominous and clearly attest to the unrelenting aggression of the US against Mexicans. After the 1845-1847 war that gave the US one-fourth of its present territory, over two million US citizens of Mexican descent were expelled from their country in the first half of the twentieth century due to the endemic racism of the dominant group. This has continued unrelentingly through the centuries and continues into our very present day. The massacre in El Paso last week is just the latest iteration of such customary aggression anchored on blatant racism.¹²⁴

Beyond the endemic racism of Anglos in US territory and beyond the extreme damage inflicted on Mexicans by NAFTA since the start of this century, US foreign policy has been imposed and continues to be imposed on Mexicans in their own homeland in connivance with the Mexican oligarchy acting as proxy for the US to fulfil US national security interests. In addition to the assignment of providing free access to Mexico's territory for the exploitation of its natural and human resources, the US also works with the Mexican oligarchy to consolidate its national security interests in Mexico. National security interests means imposing the agenda required to maximise US economic interests through economic and security policies, namely the militarisation of responsibilities of federal and local law enforcement agencies in Mexico in line with the imperial agenda. This is in effect replicating its position in South America through its "Plan Colombia". Plan Colombia is a model of imperial interventionism used to stop any signs of insurgency using as a placebo the war on drugs and terrorism. It is a model that has been applied to the countries of Central America and Mexico, replicating what the US has done in Colombia. As Laura Carlsen explains, the Bush plan for Mexico and Central America has always borne a close relationship to its southern predecessor. Plan Colombia began as a counter-narcotics plan, built along the drug war model of enforcement and interdiction and use of the army, with close US participation. Plan Mexico (later named Mérida) does not include US Army presence but relies on the same model.¹²⁵ Its purpose is to secure free access to the entire territory

¹²³ Ibidem, (pp. 47 & 56), May 2018.

¹²⁴ Lois Beckett: 'It can happen again': America's long history of attacks against Latinos, The Guardian, 15 August 2019.

¹²⁵ Laura Carlsen: A Plan Colombia for Mexico, Foreign Policy in Focus, September 2010.

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of Mexico for US economic and political/national security reasons, such as suppressing any attempt to oppose its geopolitical agenda in the region.

Plan Mérida is part of the US strategy for North America which in turn forms part of its strategy for the Americas, a region with potentially the greatest portion of the world's fossil fuels and water reserves of the Amazonia and Orinoco basins as part of its global plan of domination. This strategy is centred on guaranteeing the sustained access preeminently of the fossil fuels required to sustain the levels of energy consumption demanded by its imperial metropolises.

In Mexico, the Alliance for the Security and Prosperity of North America (ASPAN) and the Plan Mérida constitute the two tools that consolidate US hegemony over its immediate backyard. ASPAN and Plan Mérida are part of the tricorn of the US imperial strategy in the Americas. They are intimately linked to the Proyecto Mesoamerica (covering from Southern Mexico to Colombia) and the Plan Colombia.¹²⁶

ASPAN imposes a supranational police-military state behind the Demos, the legislatures and the rule of law and constitutes the deep integration (looting) of natural resources, a labour apartheid and the sharp exclusion of the Demos and the legislative bodies from the "trinational agenda".¹²⁷ ASPAN bequests the energy resources of Mexico to the interests of the US, for an absolutely secured access to energy is a crucial issue for US national security; hence the more than evident push of the Mexican governments since the start of the new century to bequest Mexico's oil resources to US oil conglomerates.

ASPAN is the deep submission of Mexico and Canada to the interests of US national security. It was agreed to in secret meetings in Waco, Texas (2005), Banff, Alberta (2006) and in Montebello, Quebec (2007) by Bush II, Harper and Fox / Calderón with the presence of the

¹²⁶ Álvaro de Regil Castilla: México Frente a la Escoria Ladrona — Dignidad o capitulación frente al secuestro de México por las mafias político-empresariales, La Alianza Global Jus Semper, junio 2010 (p. 222).

¹²⁷ John Saxe-Fernández: "America Latina ¿Reserva Estratégica de Estados Unidos?" OSAL (Buenos Aires: CLACSO) Año X, No 25, abril 2009.

business elite –particularly the energy sector– of the three countries and the US military and security leadership.... The Plan Mérida constitutes strictly the US security agenda imposed on Mexico under the pretext of the fight against drug trafficking, replicating the policy followed with Plan Colombia, but with the direct intervention of the Mexican military instead of the US military.¹²⁸

An extensive article by Nydia Egremy in *Contralínea* magazine, based on over two thousand files from the US Embassy in Mexico released by Wikileaks, exposes what it regards as the complete submission of the Mexican government to the dictates of the State Department, where the US Northern and Southern Commands, the US Department of Justice, the CIA, DEA and the FBI are involved.¹²⁹ This is the imperial hegemonic tricorn in the Americas. The governments of Mexico, captured by the robber baron elite, have consistently folded to US demands in exchange for their support to remain in power. These ominous cessions of sovereignty constitute acts of high treason, which in any country with a rule of law ethos would strip them of power and put them in prison for life. Since this is not the case in the centre-periphery partnership, the human cost for the Mexican citizenry has been extreme and constitutes a low intensity war to crush any attempt to change the status quo. This devious policy jointly managed by the Mexican and US governments has evolved into a massacre of hundreds of thousands of Mexicans since the turn of this century. The new López Obrador Administration does not appear to be keen on surrendering its energy resources and it is attempting to rehabilitate the oil, gas and energy state companies; a daunting task considering that they had been deliberately brought to the brink of insolvency by the previous governments. Yet, it appears keen on assuaging Trump's demands for acting as a proxy of its military apparatus to stop immigration. Just last June, it closed a deal to stop Central American immigrants from crossing Mexico on their way to the US and to retain in Mexican territory —the so-called “Remain in Mexico Plan”—¹³⁰ those who reached the

¹²⁸ Álvaro de Regil Castilla: México Frente a la Escoria Ladrona — Dignidad o capitulación frente al secuestro de México por las mafias político-empresariales, *La Alianza Global Jus Semper*, junio 2010 (p. 222).

¹²⁹ Nydia Egremy: Wikileaks revela un gobierno mexicano rendido ante EU, 24 December 2010.

¹³⁰ Miriam Jordan: In Court Without a Lawyer: The Consequences of Trump's 'Remain in Mexico' Plan, *New York times*, 3 August 2019.

border and applied for refugee status. All of this has driven millions of Mexicans North as economic refugees. Then, domestic US policy has focused on criminalising them and driven them South, while in the process building the Immigration Industrial Complex, a new investment opportunity for the system's shareholders.¹³¹ The end result is that since 2009 undocumented Mexicans in US territory have steadily decreased and are now at their lowest point. Thus, contrary to what some propagandistic media and "opinion" manipulators writing editorials retort to when talking about "illegal" Mexicans and immigrants, there are now two million less undocumented Mexicans in the US.

Indeed, in the last two decades three specific and very significant events of US policy have driven Mexicans North and then South. Firstly, US trade policy with NAFTA and secondly US foreign policy with its war on drugs have pauperized millions of Mexican families and produced hundreds of thousands of violent deaths in Mexico, driving Mexicans North. Because of NAFTA and the North American supply chains, by 2006 over two million agricultural jobs, including 1,7 million small farmers, were lost and workers, farmers and their families were forced to leave the countryside.¹³² In fact, between 2000 and 2005, more than 400.000 Mexicans, mostly from rural communities, moved annually to the US and by 2009 more than twelve million had moved to the US (infographic 3).¹³³ Millions of Mexicans left their towns with three choices: migrate to the US —their preferred choice, move to the slums of Mexico's big cities and seek work, mostly in the underground economy at Modern-Slave-Work wages, or join the ranks of people working for the drug cartels — their last recourse choice.

¹³¹ Tania Golash-Boza: The Immigration Industrial Complex: Why We Enforce Immigration Policies Destined to Fail. *Sociology Compass*, 3: 295–309. doi:10.1111/j. 1751-9020.2008.00193.x 2009 Blackwell Publishing Ltd.

¹³² R. Dennis Olson: Lessons from NAFTA: Food and Agriculture, Institute for Agriculture and Trade Policy, Commentary, December 2, 2008.

¹³³ James M. Cypher: Mexico's Dependant Economy – Manufacturing wages lower than in China, The Jus Semper Global Alliance, A TLWNSI Issue Commentary, September 2017.

Thirdly, immigration policies, purposely amended in the last two decades to criminalise immigrants instead of providing a path to their legalisation and full integration into their communities, have driven two million Mexicans south.¹³⁴ More specifically, the number of undocumented Mexican immigrants living in the US has declined by two million since 2007. This is confirmed by the fact that US border apprehensions of Mexicans has steady fallen to historic lows. In fiscal 2014, 229 thousand apprehensions were recorded.¹³⁵ Subsequently, since fiscal 2016, there have been more apprehensions of non-Mexicans than Mexicans at the US-Mexico border every year. In fiscal 2017, 193 thousand Mexicans were apprehended and 152 thousand in fiscal 2018. This is a sharp drop from a peak of 1.6 million apprehensions in 2000.¹³⁶

Infographic 3 |

Trends in the flow of immigrants from Mexico

- ❖ Between 2000 and 2005 +400,000 Mexicans, mostly from rural communities, moved annually to the U.S,
- ❖ By 2009 more than twelve million had moved to the U.S,
- ❖ But, undocumented immigration stabilised by 2014 at around 11 million, mostly due to Mexicans migrating less often
- ❖ As a result, the number of undocumented Mexican immigrants in the U.S. has steadily shrunk from a peak of 6.9 million in 2007 and is now more than two million below its peak.

And yet public opinion in the US does not seem to —or does not want to— understand why there was a huge increase of Mexican immigrants flooding the border between 1994 and 2010 and

¹³⁴ David Bacon: How US Policies fuelled Mexico's great migration: The Nation, 23 January 2012.

¹³⁵ Jens Manuel Krogstad and Jeffrey S. Passel: US border apprehensions of Mexicans fall to historic lows, Pew Research Centre, 30 December 2014.

¹³⁶ Ana Gonzalez-Barrera and Jens Manuel Krogstad: What we know about illegal immigration from Mexico, Pew Research Center, 28 June 2019.

what causes such a migration surge. Henceforth, two million have returned as a direct result of the aforementioned US immigration criminalisation policies.

Who benefits from these systemic structures?

After this assessment, the obvious rhetorical question is who are the winners? There are several and quite conspicuous beneficiaries:

Institutional investors of international financial markets and their corporations maximise their shareholder value.

As we have explained, US corporations with either direct or outsourced operations in Mexico maximise their return on investment and thus shareholder value, by retaining the labour value that legitimately corresponds to Mexican workers under the principle of “equal pay for equal work of equal value”. In this way, their efficiency, productivity, competitiveness and profit margins are maximised on a global scale. They also benefit from public subsidies. A clear example is US corporate owners (the financial market institutional investors) and operators of industrial hog, poultry, dairy and cattle industries. These beneficiaries received an estimated \$35 billion in in- direct subsidies by buying animal feed crops at 20-25 percent below cost between 1997-2005.¹³⁷ This provoked a huge oligopolisation in a country where the animal production of meat accounts for as much as the value of all other sectors combined. This has enabled large agribusiness corporations to flood the Mexican market with subsidised products at prices below production costs in Mexico, destroying domestic competitors.

Politicians both in the US and Mexico, who act as proxies of institutional financial investors and their corporations. Politicians set the public agenda in line with the demands of investors. Thus, they work to establish the structural reforms, through legislative lobbying, that deliver the optimal conditions for the maximisation of shareholder value. In return, they get financial support for their electoral campaigns in exchange for imposing the market-driven agenda designed by the

¹³⁷ James M. Cypher: Mexico’s Dependant Economy – Manufacturing wages lower than in China, The Jus Semper Global Alliance, A TLWNSI Issue Commentary, September 2017.

business elites. This also works as the revolving door system on both sides of the border, where institutional investors finance the campaigns of their favourite politicians, who eventually go on to work in the private sector, whilst, concurrently, top executives move to work in the halls of government to sustain the capture of the public agenda and public policy.

Wages of US workers are subsidised by Mexican workers. Savings in Modern-Slave-Work wages paid in Mexico subsidise the much higher wages paid to equivalent workers in the US of the same corporations. On average, as we have observed, salaries in the South are less than 10% of those in the North. It is estimated that 25% to 40% of the cost of labour in the North was subsidised by the South's meagre wages. The meagre wages paid in Mexico also subsidise the salaries paid to high-skilled workers and professionals in the US working for the same TNLs.¹³⁸

US consumers greatly benefit from bondage wages paid in Mexico, by enjoying much lower prices than if the entire production would be made in the US. This subsidises the purchasing power of US consumers by enabling them to afford a higher consumption threshold. If the entire production would be located in the US, consumer prices would be higher and consumers would see their consumption threshold and material quality of life diminished. If, on the contrary, workers in Mexico would be paid an equivalent remuneration in real terms, their consumption would be much higher, which would increase demand on both sides of the border and require the creation of more and better paid jobs also on both sides of the border.

In summary, (infographic 4) it can be clearly asserted that Mexico subsidises the US economy and the population in terms of:

- ⊙ Capital extraction, namely for the benefit of the shareholder value of institutional investors of international financial markets,
- ⊙ Wages and salaries of US workers and employees and

¹³⁸ Ankie Hoogvelt, *Globalization and the Postcolonial World*, Baltimore: John Hopkins University Press, 1997 (pp. 48, 77 and 78).

- ◉ US consumer prices.

Infographic 4 |

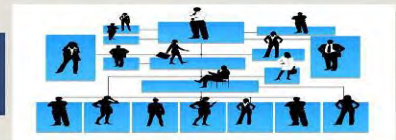
How Mexico subsidises the US?

- ❖ In summary, it can be clearly asserted that Mexico subsidises the US economy and US population in terms of:

- ❖ Capital extraction for the benefit of the shareholder value of institutional investors of international financial markets,



- ❖ Wages and salaries of US workers and employees and



- ❖ US consumers



How to effectively address immigration from Mexico to the US?

It is rather evident that the only way to end immigration from Mexico to the US is by addressing the underlying causes of immigration. Needless to say that these causes are systematically and deliberately overlooked by the less than one percent in power, by the respective governments — both of whom are the perpetrators of this human plight— and by mass media in both countries — who, as apologists of the current system, fail to address to real causes and help to propagate the customary distorted story that focuses exclusively on the consequences. It is also needless to say that these root causes are the same underlying causes in the vast majority of cases —with their respective particularities— for the immigration from the global South to the global North and even more so to the US. It is, specifically, sheer imperialism to impose the structures to extract wealth and resources from these countries for the benefit of the centre-periphery oligarchic classes that force immigration of tens of millions of people dispossessed around the world. They flee their countries as economic refugees or, even worse, as refugees fleeing from geopolitical interests that derived into convoluted conflicts that involve mass violence, military

intervention and the massive violation of a wide spectrum of human rights universally recognised in the UN Charter. The current flow of refugees from Central America crossing Mexico on their way to the US is an emblematic example of the end result of the forces imposed on them by those in power in the US and in their own countries.

Consequently, to address the root causes of immigration, governments must put an end to the wealth extraction structures that decimate the social fabric of these countries. In practical terms, the real wage gaps between equivalent workers who perform the same jobs for the same corporations, under the principle of “equal pay for equal work of equal value”, must be closed. In the case of Mexico, the hard data available on hourly compensation costs in manufacturing provides a clear picture of the enormous size of the gap and should be used as the metric to address the problem. In the case of Central America, there is no equivalent data, but we can assert with a high degree of confidence that the real wage gaps are even wider and must be addressed in the same manner.

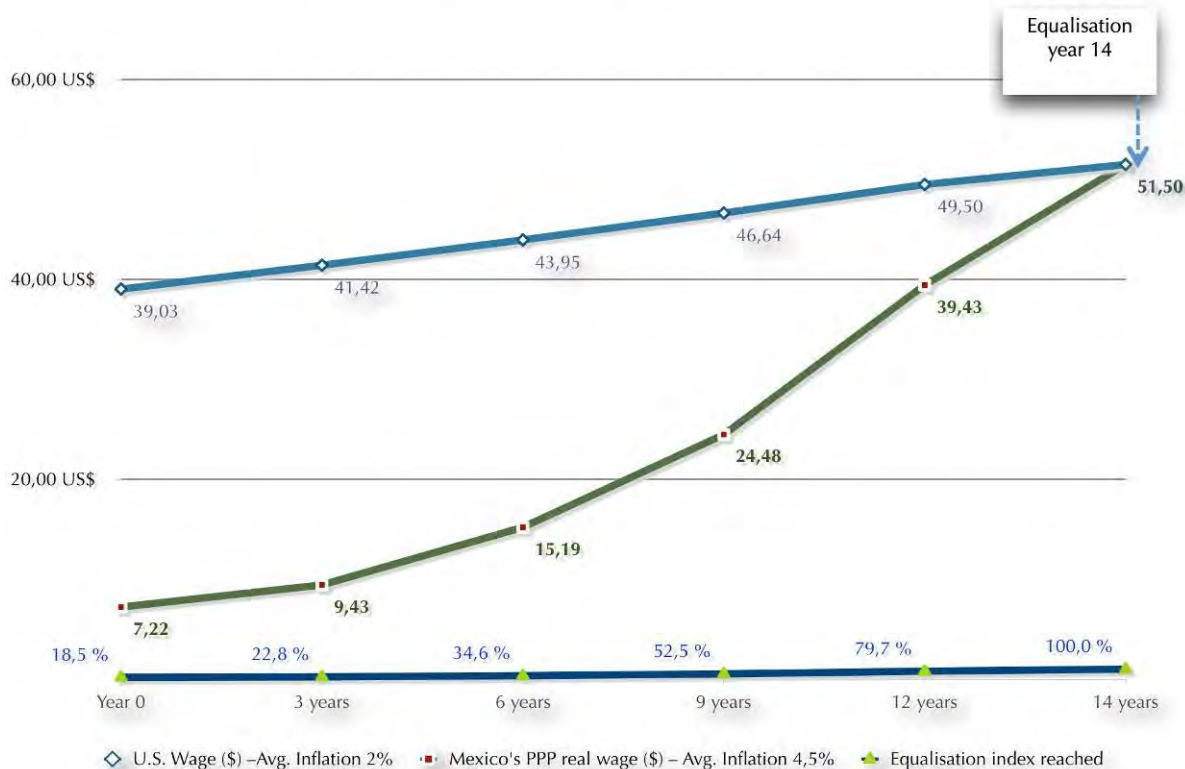
There are two tasks at large to effectively address the issue of living wage gaps. From a global perspective in the manufacturing sector, the wage gaps are so wide that the only way to close them is through gradual annual increments until real wages become equivalent in purchasing power parity terms. In our assessments, it would take about 14 years, if our assumptions hold — for the Mexican government’s minimum wage recovery policy, the average increase of nominal manufacturing wages in the US and the inflationary rates in both economies— to close the manufacturing gap, (chart 12).¹³⁹ This is an optimistic assumption to be sure. Most likely it would take at least two decades to achieve such goal.

¹³⁹ Author’s projection using: 1) US and Mexico’s hourly manufacturing compensation costs from The Conference Board; 2) purchasing power parities for private consumption from the World Bank for 2016; 3) actual increments to Mexico’s minimum wage (2017-2019) from CONASAMI and inflationary trends for both countries.

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Chart 12. Fourteen-year projection of Mexico's equalisation of hourly real wage rates of all employed in manufacturing with wage rates of its US counterparts, at an average nominal growth rate of 18,24% (13,75% real terms) for 13 years and of 14,15% (9,25% real terms) on year 14.

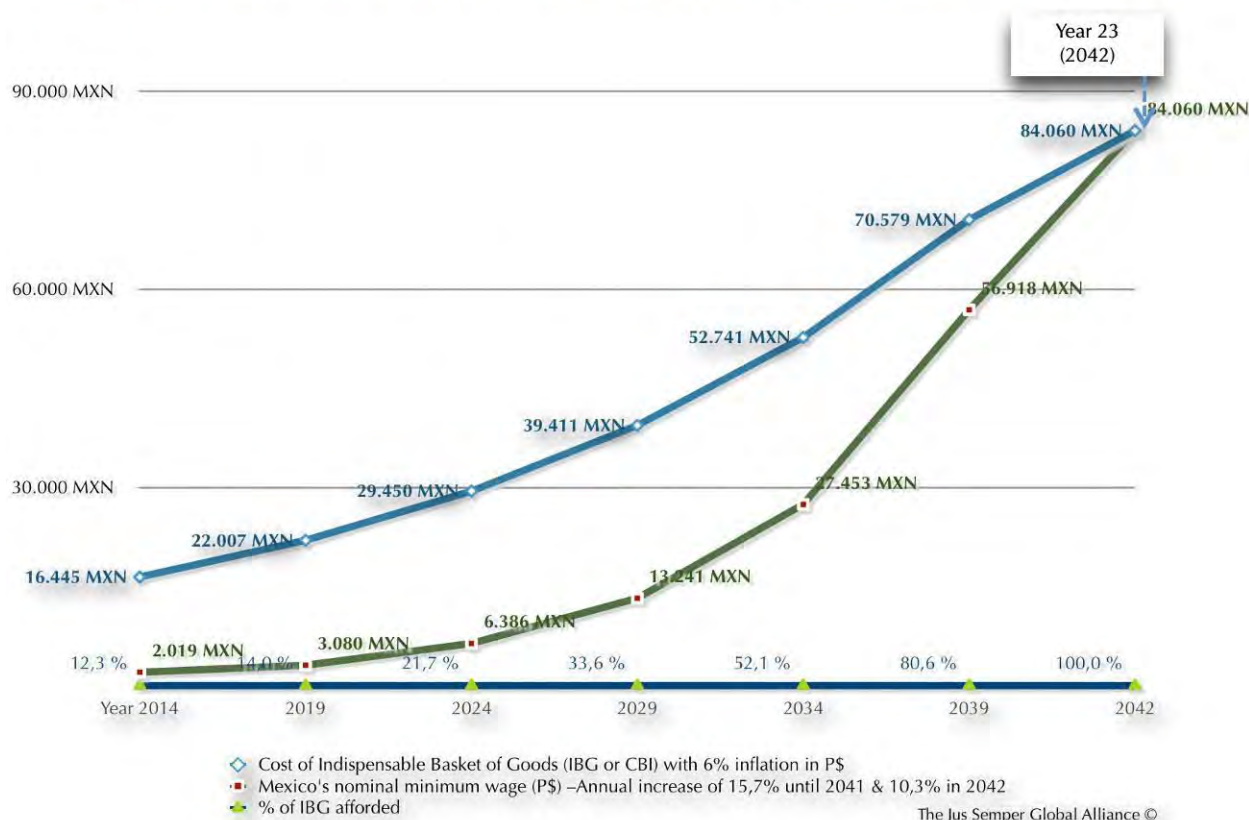


The Jus Semper Global Alliance ©

The other task is from a domestic perspective to make the minimum wage a living wage by making its real value enough to afford the IBG (Indispensable basket of goods) as projected — based on the 2014 IBG from Universidad Iberoamericana, chart 13.¹⁴⁰ In this case in our projection, if all assumptions stand, it will take at least 23 years as illustrated bellow. The responsibility for achieving this goal falls fully on the Mexican government. Yet, given that it would take at least four different administrations, its materialisation is unpredictable and rather optimistic. Nevertheless, the current administration has already embarked on gaining meaningful progress on this goal, for the first time in 36 years, and we can only hope that social pressure will force future administrations to sustain such policy.

¹⁴⁰ Álvaro J. de Regil: Mexico's Wages 2018 - 2024: To Change So That Everything Remains The Same, The Jus Semper Global Alliance, February 2019 (p. 20).

Chart 13: Projection of Mexico's closing of the gap between the monthly minimum wage and the estimated monthly cost of the Indispensable Basket of Goods from UIA-Puebla using the wage policy implemented in 2019 by the new government



If the enormous living wage gaps are closed from both a global and domestic perspective, there are quite valuable specific economic and migratory benefits for both nations. The first and most obvious is that Mexicans will stop migrating to the US. As their income and thus quality of life rises, there will be no incentive to seriously consider embarking on a rather risky trip. The second is the positive multiplying effects of increasing the labour's share of income, in line with market logic. Demand for goods and services will increase in a very tangible way. This will generate more employment in Mexico, more demand for imports from the US, and thus, more employment in the US will be generated and less jobs will be transferred to Mexico in pursuit of cheap labour. The new jobs created on both sides of the border and in Canada would result from the development of a North American supply chain system based on productivity indicators other

than labour costs. And, as formal employment increases and unemployment decreases in a sustained manner, real wages will increase further in North America as whole. Moreover, as more formal employment is created following the consolidation of a living-wage standard, the drug trafficking cartels on both sides of the border will have problems finding young people to recruit for their operations. Demand for drugs—including the methylphenetamine epidemic in the US—will also decrease meaningfully.¹⁴¹

Main hurdles in addressing the underlying causes of immigration

Evidently the current status quo is conspicuously designed for the benefit of the less than one percent. Hence, the global elite has no interest whatsoever in changing it. Powerful systemic structures that benefit the global oligarchy from this arrangement oppose any type of binding regulatory framework (via national and/or international law) to force global corporations to pay living wages to all their workers. Even the approach to gradually close the wage gaps, with all the positive multiplying effects, is of no interest to the less than one percent because its mindset is very short term and sets its goals on a quarterly basis for the expected performance of its international financial markets. If gradual wage equalisation is applied, profit margins per operation would decrease as labour income increases, but as markets grow both in the centre and periphery total corporate revenue would increase substantially. TNLs would still get a larger slice of a larger pie, albeit it would be smaller in proportion to the size of the pie. Yet, sheer greed for wealth and power and short-termism represent enormous hurdles that appear nearly impossible to overcome in this new robber baron era.

Because society both in the centre and periphery has increased pressure exponentially on corporations and institutional investors, since the end of the Twentieth Century, to replace their practices in terms of labour remunerations, respect for human rights and the environment in their respective spheres of influence, they have reacted with a rhetorical strategy of public relations “to change so that everything remains the same”. For decades they have systematically opposed

¹⁴¹ R. Dennis Olson: Lessons from NAFTA: Food and Agriculture, Institute for Agriculture and Trade Policy, Commentary, December 2, 2008, (p 3)

any attempt to put any type of binding regulatory framework that would force them to comply with new labour, social and environmental standards that would duly address the issue. Hence they have come up with the voluntary concept of Corporate Social Responsibility (CSR), which is a public relations hoax. Furthermore, companies have systematically refused to incorporate a living wage standard even in their voluntary guidelines. I personally witnessed how the International Chamber of Commerce and the Employers Organisation (IEO), two major global “pinnacle” business organisations, systematically torpedoed any attempt to incorporate living wages into the OECD Guidelines for Multinationals and other business enterprises. The same case with the UN draft on the norms on the responsibilities of transnational corporations and other business enterprises, as well as the Global Compact on the Civil Responsibility of Business in the World Economy from the UN Human Rights Council.¹⁴² All of these initiatives were carefully controlled to stop any attempt to address the issue of labour exploitation or to make possible a UN charter of binding regulations to regulate business practices.

As concerned members of society, we can of course write to our congressional legislators in our countries, but typically this has little effect because the same systemic structures that benefit from this arrangement finance the political campaigns of many of them, particularly in the US. As a result, we are left only with the alternative of following the logic of the market to modify the behavior of corporations and their shareholders. There are many initiatives regarded as multi-stakeholder initiatives for socially-responsible investment that pursue exercising pressure on corporations to change their practices with the threat of de-investing if they refuse to do so. Consumer boycotts aimed at specific companies have also been attempted.¹⁴³ Yet, structurally speaking, nothing really has changed and financial investors and their corporations continue to pursue the maximisation of shareholder value with voluntary CSR regulations, where they are free to cherry pick the standards they like and toss out the rest. The public institutions of a truly

¹⁴² Álvaro J. de Regil: BUSINESS AND HUMAN RIGHTS — Towards a New Paradigm of True Democracy and the Sustainability of People and Planet or Rhetoric Rights in a Sea of Deception and Posturing, The Jus Semper Global Alliance, January 2008

¹⁴³ Álvaro J. de Regil: Consumer Power in the Logic of the Market: Real and direct democracy in pursuit of CSR, The Jus Semper Global Alliance, December 2004.

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democratic ethos have always been captured by capitalism to impose a marketocratic regime. Consequently, unless we, the Demos, organise to rescue the institutions of society and establish truly democratic governments, the dictatorship of the owners of the market will remain.

However, these hurdles notwithstanding, the issue remains. The only way to stop Mexicans from continuing their migration to the US in pursuit of a quality of life minimally worthy of human dignity is by addressing the root causes of immigration. Even in the present marketocratic regime, if US citizens really want to solve the issue, they must force US governments to change their policies of criminalisation of immigrants and instead force companies to change their predatory practices by equalising remunerations for the equivalent work. By the same token, Mexican citizens must exert pressure on their governments to eliminate the predatory structures of labour exploitation both from a domestic as well as a global perspective to, once again, force global corporations to gradually close real wage gaps, under the principle of equal pay for equal work of equal value. To be sure, this can only happen in both the US and Mexico, through a permanent organised legislative effort to change the rules. Organised consumer actions of social and environmental responsibility should also contribute to step up the pressure. The less than one percent, their apologists and US consumers cannot have it both ways; that is, they cannot continue to reap the benefits of Mexicans subsidising shareholder dividends, US wages and US consumer prices and not have Mexicans coming to the US as economic refugees. Even if the numbers of undocumented Mexicans in the US have diminished, they will never stop migrating to the US as long as the structures of exploitation remain in place, regardless of how many walls are erected and how much more the border is militarised. The same goes for Central Americans, who are currently migrating to the US in far larger numbers than Mexicans due to extremely deteriorated social conditions in their homelands that derive directly from the same predatory structures of dispossession.

The irrelevance of continue using the market logic to address any social issues

There is however one devastating factor that will make all other issues redundant unless we address it immediately. The current market-driven system, where poverty, inequality, and

environmental degradation are deemed acceptable and inevitable, are not compatible whatsoever with the equity and inter-generation tenets that lie at the heart of sustainable development, and I mean truly sustainable development and not the marketocratic version advanced by governments and multilateral institutions.

In a truly democratic ethos, the living wage is an essential element of true democratic practice to uphold the rights and responsibilities inherent to the social contract. The primeval responsibility of a truly democratic government is to procure and protect the economic and social welfare of all members of society. Citizens consent to delegate certain powers to government in return for the government's provision for basic needs, public goods and the respect and protection of all citizen rights. Conversely, citizens have the responsibility and vested interest to actively participate in the democratic process and engage in the public matter to protect and enhance the general welfare of the community. Yet if workers are not remunerated with the income necessary to fulfil all the basic needs of their families, they are excluded from participating as citizens in the democratic life of their countries.¹⁴⁴ They find themselves struggling to survive.

Nevertheless, all of this becomes irrelevant if we remain oblivious to the state of our planet. Since the beginning of this decade, when I write about specific social issues, I make a point of bringing up to our attention that unless we address, in a determined and forceful manner, the anthropocentric conditions currently endured by our planet, all other issues, such as the roots causes of Mexican immigration to the US, or shareholder value, are completely irrelevant. Beyond all ideological considerations, capitalism is completely unsustainable for the simple reason that we cannot live in a system that requires the infinite consumption of resources in a planet with finite resources, as has been consistently demonstrated by the laws of thermodynamics. Technology cannot set aside the basic physics of thermodynamics.¹⁴⁵

¹⁴⁴ Álvaro J. de Regil: *Living Wages in the Paradigm Transition — The Imperative Challenge of Transcending the Market*, The Jus Semper Global Alliance, May 2014.

¹⁴⁵ John Bellamy Foster, Brett Clark and Richard York: *"THE ECOLOGICAL RIFT — Capitalism's War on the Earth*, Monthly Review Press, 2010 (P 43).

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Indeed, it is imperative that we incorporate into our consciousness the dramatic lack of sustainability of the market- driven paradigm so that, for our own self-interest, we react immediately to seriously address the possible solutions. Parting from the extensive scientific documentation that has been consistently emerging, despite the efforts of many private and public interests to deny the anthropocentric climate change, we must become aware that we need to completely change our life systems so that we can drastically reduce our unsustainable ecological footprint.

Concurrently, we must continue to fight for social justice in a world with an undemocratic entrenched system designed to customarily exploit people, plunder natural resources vital for life, exhaust the riches of our planet, violate the entire spectrum of human rights and produce ever more levels of inequality for the benefit of a tiny cartel of plutocrats, the global robber barons of today. To accomplish this we must work to provoke a radical transformation of society so that we can build the radically different paradigm, whose only purpose is to go in pursuit of the welfare of people and planet and not the market.

Consequently, we cannot pretend to fix the problem without replacing capitalism. Thus, there is a fundamental question to ponder. If we aspire to build a completely new paradigm, then we must realise that many elements of our values' system will cease to have meaning. How can we envision, therefore, a new system with a living wage and other human rights such as, for example, a universal basic income,¹⁴⁶ as fundamental rights in the new ethos? I will posit the idea that under the new ethos for the exclusive welfare of people and planet, the basic income, for example, would remain a fundamental right to provide access for all to a life worthy of human dignity. However, the living wage would not, for it is a concept of the marketocratic system that implies the existence of capital and labour. Hence, in the new paradigm, we must transcend the market in order to redefine how work will be remunerated and to do this we must redefine the role of

¹⁴⁶ A Universal Basic Income is a cash allowance, unconditionally granted to all on an individual basis, including children, without means test or work requirement to fulfil their basic needs for the simple reason of existing.

business. This is indeed the case, because the achievement of a truly democratic ethos with full enjoyment of the entire spectrum of human rights is contingent on our capacity to transcend the marketocratic paradigm. This entails imagining a completely new conception of life and of our role as individual members of the new society.

However, to materialise this we must first establish a truly democratic ethos, for currently, as a result of an alienated social praxis, all governmental and multilateral institutions have been captured by political opportunists who have betrayed their mandate to serve the public good and from the start operate as market agents. A case in point, with governments deliberately operating to impose the ideal conditions demanded by the institutional investors of financial markets, the amount of dividends paid by companies worldwide reached a new record in the second quarter 2019, reaching \$513,8 billion, according to a study of the Janus Henderson Investors fund management company.¹⁴⁷ Consequently, it is imperative that we, the Demos, first start by organising across the world to liberate our national and multilateral institutions from their abduction. We cannot establish a truly democratic ethos, where the people are directly and permanently involved in the public matter, to protect both our common and individual rights, if we do not rescue our institutions and rebuild them from their wreckage to put together a new edifice designed to provide conditions of life worthy of human dignity and for the sustainability of the planet and all its members.

Many people sincerely regard such imaginary of social justice and ecological sustainability as completely utopian, and it is indeed utopian today. Nevertheless, there are many realities today that were utopian in the past. This is all the more important for we have to very seriously acknowledge that we truly have no choice. The anthropocentric climate change is continuing unabated and unless we stop it and recover the conditions necessary for the long-term sustainability of our planet, we will not be able to bequest to future generations –of all living things– a planet where they can live and thrive or even survive. Hence, the authors of The

¹⁴⁷ Le montant des dividendes versés aux actionnaires atteint un record de 513,8 milliards de dollars, Le Figaro, 19 August 2019.

Ecological Rift rightly assert "To recapture the necessary metabolic conditions of the society-nature interaction what is needed is not simply a new social praxis, but a revived natural praxis—a reappropriation and emancipation of the human senses and human sensuousness in relation to nature".¹⁴⁸

We must change our moral ground, even if it is for our own self interest, if not for a sense of solidarity. We must care for our Mother Earth as the hand that feeds our lives. We must climb to a high moral ground and work together, or else we will surely continue to witness a persistent growth of authoritarianism everywhere, both in the metropolises and the periphery—just like in the interwar period of the 1930s—as a consequence of today's moral decay until we reach our own demise. We are running out of time and we may have already crossed a threshold of no return, where we cannot control how the planet is reacting to our anthropocentrism, so we must react with a sense of urgency. In the meantime, while we seriously reflect on this, we must continue to pursue ending the current structures of exploitation that drive immigrants in general and Mexicans in this case away from their communities. For as long as the current marketocratic paradigm prevails, our struggle to change the status quo remains.

Conclusions

Immigrants are forced to leave their hometowns because of systemic structures that have been imposed in a completely undemocratic fashion. Both US and Mexican governments, and even more so the less than one-percent elites of both countries, bear a huge responsibility for the flow of immigration from Mexico to the US. By the same token, US citizens bear a very meaningful responsibility for allowing their governments and corporations to benefit from these systemic structures of their own design. Consequently, if we really want to solve the issue of undocumented immigration, the first thing we must do is to address these causes. If structures are changed so that economic policy is designed to gradually close the gaps between US and Mexico's wages for doing the same job for the same corporations, Mexicans will stop coming to

¹⁴⁸ John Bellamy Foster, Brett Clark and Richard York: "THE ECOLOGICAL RIFT — Capitalism's War on the Earth, Monthly Review Press, 2010 (P 247).

the US permanently. Nobody wants to leave their hometowns and families under conditions of great perilousness and precariousness. Mexicans, as all peoples in the world, love their own country, and they would stay there if they find the conditions to enjoy a dignified quality of life for them and their families.

Overriding the underlying causes of immigration in Mexico and across the globe, is the damage that we have inflicted to our planet, which puts on a situation where humankind and all other living things may not have a future and the social problems of today may become irrelevant. Hence we must react with a sense of urgency to replace the current marketocratic paradigm. Yet, while we ponder about this with a sense of urgency, we must continue to expose the predatory nature of the current system and, in the particular case of immigration from Mexico to the US, demand that the root causes be addressed. The US cannot have it both ways: reap all the benefits of Mexicans subsidising shareholder dividends, US wages and US consumer prices and not having Mexicans coming to the US as economic refugees. If the US truly wants to stop immigrants flowing into their country, the only way is to stop focusing on the consequences and start solving the underlying causes of immigration.

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- ❖ About Jus Semper: The Jus Semper Global Alliance aims to contribute to achieving a sustainable ethos of social justice in the world, where all communities live in truly democratic environments that provide full enjoyment of human rights and sustainable living standards in accordance with human dignity. To accomplish this, it contributes to the liberalisation of the democratic institutions of society that have been captured by the owners of the market. With that purpose, it is devoted to research and analysis to provoke the awareness and critical thinking to generate ideas for a transformative vision to materialise the truly democratic and sustainable paradigm of People and Planet and NOT of the market.
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