

PUEBLA MEXICO AND NEW YORK CITY

Adapted from the broadcast audio segment; use the audio player to listen to the story in its entirety.

In the early 1990s, Mexico decided to hitch its wagon to America's economic engine by signing the North American Free Trade Agreement. Now over 80% of Mexico's exports flow into the U.S. market. And when America is flush, Mexico is flying, as it was in the 1990s.

Andrew Selee is the Director of the Mexico Institute at the Woodrow Wilson Center in Washington. He says most Mexicans see opportunities in the economic opening with the United States and the possibilities of greater exports, the possibilities of trade, the possibilities of taking advantage of America's dynamism.

"But at the same time are concerned about things like economic crisis or concerned about the weight that Washington has in their policies and in their lives."

The economic crisis in the U.S. has been a wrecking ball in Mexico. In 2009, the Mexican economy contracted by an alarming 6.5%. It's clear that Mexico's fortunes are intimately linked to those of the United States.

Mexican workers took the hardest hit in the U.S. crash, losing jobs faster than Americans, says Gordon Hanson, Director of the Center of Pacific Economies at UC San Diego. Hanson's new research shows Mexico also cushions the downturn in American manufacturing.

"Mexico has become the shock absorber for the U.S. economy as the U.S. and Mexico have formed a global production network."

Three quarters of Mexico's exports to the U.S. are tied to manufacturing. Auto making, electronics and textiles are now highly integrated, made in Mexico and sold in the United States. Hanson explains the corresponding swings in the Mexican economy.

"In the downturn, orders to Mexican factories are the first to go. The fluctuation in unemployment has been twice as high as corresponding industries in the U.S."

Puebla, Mexico is a hub of manufacturing for U.S. businesses. Assembling jeans and t-shirts is just one of Puebla's manufacturing sectors. There are information technology companies and auto parts factories. Volkswagen located the only North American plant in Puebla, all geared toward the U.S.

At the start of the U.S. financial downturn, Mexican officials assured the public that the country could navigate the storm. Once Lehman Brothers collapsed, the crisis went global. Investors looking for safety bought dollars and they dumped Mexican pesos. The credit crunch hit Mexico hard. U.S. orders dropped 30% and have only recently begun to rebound.

Julian Abed is Puebla's representative for computer company Hewlett-Packard. He puts the blame north of the border.

"The crisis is affecting in our business. What happened in the United States is the irresponsibility of the bankers. We are the victims of what is happening. You have to think how to survive. They want the Mexican wealth. They want the Mexican business. They want everything we have but they don't seek Mexican people."

According to the World Bank, more Mexicans are going hungry since the downturn.

Father Jorge Galicia Amesqua distributes food packages to the urban poor in his Catholic parish. Our Lady of the Forsaken is aptly named with unemployment rising along with the price of food.

"Because we are very close with the United States, changes there create changes in Mexico. There aren't many options with the jobs lost on both sides of the border."

Most Mexicans, especially the younger generation, support the partnership with the U.S. There is a generation of Mexican entrepreneurs convinced that the U.S. economy will turn around soon, and they want a piece of the action. Francisco Rivera insists free trade and integration with the U.S. has been good for his country.

"We say that we sleep with an elephant. The American economy is the strongest in the world. I think that you have the structure to get out of the water sooner than the other countries."

Rivera runs his family business, Bona Tierra RYT. The automated factory turns out high quality socks, hats, scarves and baby clothes for the Mexican market. Even during the worst of the downturn, Bona Tierra sales held steady and the company didn't fire a single worker or cut salaries.

Rivera believes Mexico has to offer more than cheap labor and goods to benefit the most from free trade with the U.S. For him, that means investing in his employees and training them to turn out quality products.

"We try to make them comfortable in this country with a good job, good salary, and good conditions."

Keeping workers at home hasn't been a main concern for the Mexican government. A job in the U.S. is still a priority for many Mexicans. Mexican officials flew to New York in September of 2009 to march at the head of the annual Mexico Independence Day Parade.

They gathered at a restaurant a few blocks from the parade where leaders of the Mexican community renewed their commitment to send money home. In 2008, remittances fell for the first time on record, down by 20%.

The crisis has devastated the Mexican migrant community. Demetrius Papademetriou of the Migration Policy Institute in Washington says Mexican workers lost most in construction and in the service industries.

"These were exactly the sectors that got hurt early, deepest and continue to lose jobs. That's where most of the bleeding has taken place. That is why the unemployment hit has been disproportionate for Mexicans regardless of legal standards. So far, they are holding tight. The fact that the circumstances in Mexico are even worse, that makes it even more difficult for them to even consider going back."

The result is an unprecedented slowdown in migration from Mexico while the workers in the U.S. are under severe financial strain.

At a classroom at Tepeyac, a nonprofit organization that supports migrants, students are hunched over thick workbooks and they take turns scribbling math equations on the board at the front of the room.

Executive Director Joel Magallan says U.S. employers have given migrants reason to stay in New York even in these tough times.

"Some of them and they said, 'I don't want to lose my workers because I trust them and because they are trained. I am pushing them to stay here and get like 20 hours to 30 hours as much as I can.'"

New York depended on undocumented workers in the boom years when 95% of illegal migrants were in the workforce says Papademetriou.

"The most likely workers to be called back first will be Mexicans, people from Puebla with long relationships with employers who were here legally, anti-legally. The dependence now is indeed structural. It's embedded. This is going to be very contentious when it happens, very contentious."

– *Reported by Deborah Amos for America Abroad*

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