

# The worsening crisis challenges social rights



Problems such as increasing poverty, the breakdown of the agricultural sector, insufficient employment and the decline of GDP already existed in Mexico before the current crisis hit. The minor adjustments the Government is announcing only reinforce the neo-liberal economic model, and social unrest is on the rise. However, there are a number of civil society proposals that call for alternative strategies to confront the manifold crises, to minimize impacts and revise the economic model.

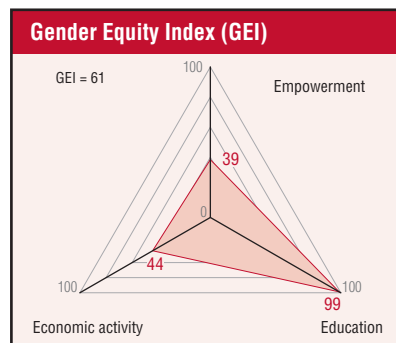
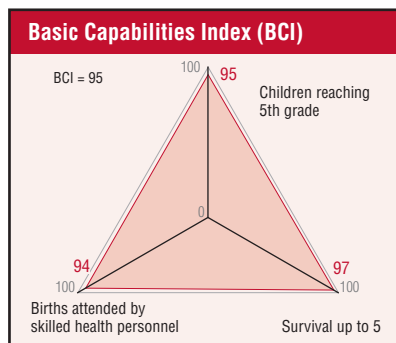
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Several Mexican civil society organizations agree that the current global crisis is systemic and is a consequence of the exhausted capitalist neo-liberal economic model based on financial deregulation and trade liberalization. The crisis is not only in finance but also in food, labour, environmental, energy and other sectors, and although its impact is being felt by all of humanity, it is particularly severe in the countries of the South.<sup>4</sup>

As explained by Arturo Guillén, the crisis has followed a complex path, triggered in its final stages by the real estate crisis in the United States and the resulting economic recession, which tended to “rapidly globalize” and cause the GDP of apparently strong economies in Europe and Asia to drop.<sup>5</sup> The crisis has also spread to Latin America, with varying impacts in different countries, areas and sectors, but it cannot be blamed solely on factors outside the region.

## The impact of the crisis in Mexico<sup>6</sup>

Without belittling the effects of the global crisis on the country, it must be said that many of the problems – such as the increase of poverty in absolute figures, the breakdown of the agricultural sector, the insufficient generation of jobs (in spite of the slightly favourable export-import balance prior to the



crisis) and the drop in GDP – were already present in the economy.<sup>7</sup> Undoubtedly, the systemic crisis has made these problems worse.

The following figures help illustrate the national dimensions of the crisis:

- The worldwide increase in fuel prices has led to increases in food prices over and above the general rate of inflation. In January 2009 food prices went up 11.3%, while inflation was 6.3%. The impact has been most severely felt by the poorest as they devote a greater percentage of their income to the purchase of food.<sup>8</sup>
- In the third quarter of 2008, 71.3% of the economically active population (31 million people) lived on an income of three minimum wages – MXN 152 a day (about USD 11.4) – or less. The unemployment rate was 4.2%, which meant that 1.9 million people were unemployed, and 11.8 million people were surviving in the informal sector.<sup>9</sup>
- Exports to the United States have plummeted, and hundreds of thousands of people are losing their jobs as companies slash expenditures. In November 2008 manufacturing exports overall

dropped an average of 7.3%, while those to the United States fell 18%.<sup>10</sup>

- North of the border, unemployment among Mexican immigrants has increased, causing remittances to fall; remittances were down -9.8% in December 2008 from December 2007. Households in the poorest 20% of the population that receive remittances therefore realized only 6 out of 10 pesos.<sup>11</sup> These are the households that will suffer more the decrease in remittances.
- By February 2009 unemployment was 5.3%<sup>12</sup> and industrial activity had dropped by 13.2%,<sup>13</sup> the worst figures in these areas since the so-called “tequila crisis” in the mid-1990s and an indication that there will be a severe recession.

The grave impact of the crisis in the labour sector will be used as an excuse to freeze or reduce salaries, work will become even more precarious, employers will be given more freedom to hire and fire and jobs will be outsourced; all of which will reduce rights and restrict the authority of the unions.<sup>14</sup>

With regard to rural areas, the absence of an equitable agricultural policy and indifference have given rise over the years to three types of consequences,

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 4 “Para un nuevo modelo económico social ¡Pongámos la financia en su sitio!” [For a New Economic and Social Model. Let's Put Finance in its Place!]. A call for the signatures of NGOs, trade unions and social movements arising from a series of World Social Forum seminars in Belem, 2009. See: <www.choike.org/campaigns/camp.php?5>.  
 5 Guillén, A. *La Crisis Global y la Recesión Generalizada, versión preliminar* [Global Crisis and Generalized Recession, preliminary version]. Mexico City: Metropolitan Autonomous University (UAM) Iztapalapa Unit, March 2009.  
 6 Assessments based on documents issued by the National Movement for Food and Energy Autonomy, Workers' Rights and Democratic Freedom and the Democratic Alliance of Civil Organizations (ADOC) – networks of which Equipo Pueblo is a member – as well as the “Crisis Analysis and Strategy” session of Espacio DESC (23 April 2009).

7 Serdán Rosales, A. “México: Pobreza y presupuesto social en el contexto de la crisis financiera 2008-2009” [Mexico: Poverty and Social Budget Within the Context of the 2008-2009 Financial Crisis]. Presentation during an Espacio DESC session, 23 April 2009.  
 8 Serdán Rosales, A. with data from Bank of Mexico and National Poll on Income and Expenditure in households (ENIGH 2006) Within the Context of the 2008-2009 Financial Crisis.” Presentation during an Espacio DESC session, 23 April 2009.  
 9 Figures by National Statistics and Geography Institute (INEGI), based in National Poll on Occupation and Employment (ENOE), third quarter of 2008, published by *El Financiero*, 18 November 2008.  
 10 Serdán Rosales, “México: Pobreza y presupuesto social en el contexto de la crisis financiera 2008-2009”.  
 11 *Ibid.*  
 12 ENOE, March 2009.  
 13 See: <www.cnnexpansion.com/economia/2009/04/17/la-produccion-industrial-cae-132>.  
 14 de la Cueva, H. Otra integración es posible y otra salida a la crisis también: escenarios de las Américas en el 2009 y los retos del Movimiento Sindical [A different integration and a different way out of the crisis are possible: scenarios in the Americas in 2009 and the challenges of the Trade Union Movement]. Mexico City, 2009.

made worse by the crisis: (1) food speculation on the stock market, which puts foodstuffs beyond the reach of poorer families; (2) the invasion of national markets by food products produced and traded by transnational corporations, which sacrifice soil, forests and water reserves to productivity and destroy national systems of production, particularly traditional ones; and (3) the flood of genetically modified seeds, which sweeps away the store of natural seeds and ancient ecosystems.<sup>15</sup> The national No Maize no Country<sup>16</sup> campaign – endorsed by our organization – proposes such measures as moving from an agricultural model based on large monocultures that involve the increasing use of water, machinery and contaminants, towards sustainable peasant farming that not only has the potential to respond to national food needs but also has additional ecological virtues.

On the basis of this evaluation, it is possible to state that Mexico was faced with the worst possible scenario with which to confront a crisis that had been in the making for several years. The Government has submitted uncritically to the neo-liberal economic model, and several of the measures announced are merely minor adjustments that sustain and reinforce this model.

### Government and civil society responses

During the recent Summit of the Americas, the Economic Commission for Latin America and the Caribbean<sup>17</sup> confirmed that countries in Latin America do not have a common strategy to overcome the crisis but have announced and implemented a diversity of measures, as shown in the table.

In October 2008, shortly after minimizing the potential threat of the United States crisis on Mexico due to the “strength of the country’s public finances”, the Government announced a Programme for the Promotion of Growth and Employment (PICE, in Spanish), a five-point anti-crisis plan that consisted of: (1) expanding public expenditure in infrastructure in order to foster economic growth; (2) changing the rules regarding the exercise of this expenditure in order to accelerate the process; (3) initiating construction of a new refinery; (4) launching an extraordinary support programme for small and medium enterprises, and (5) making national industry more competitive by means of a new deregulation and tariff relief programme.

At the same time the Federal Government pointed out that the country had been reducing its foreign debt for several years, that its inflation was the lowest in Latin America and that its reserves amounted to over USD 90 billion, which enabled it to resist balance of payment pressures.<sup>18</sup> Six months later, during the G-20 Summit

in early April 2009, the Government received support for its request for a USD 47 billion loan from the IMF. In addition, it was announced at the Summit that a further USD 850 billion would be allocated to emerging economies – Mexico among them – in order to finance countercyclical spending, recapitalization of banks and infrastructure, among other things.<sup>19</sup>

Even without having touched the USD 57 billion from the IMF, World Bank and Inter-American Development Bank credit lines, President Felipe Calderón’s administration increased public debt by MXN 968.48 million (about USD 72.74 million) in just its first two years in office (2007–2008), a sum equal to 12 times the debt contracted during the first two years of Ernesto Zedillo’s Government (1995–1996), when the country faced its worst economic crisis in 60 years.<sup>20</sup> It is extremely worrying that these measures, in addition to increasing the public debt, reinforce the neo-liberal economic model and its institutions, whose limitations and contradictions have been pointed out in many different forums. It is also surprising, given that several countries in Latin America are trying out different measures or procedures from those imposed by this model.

Public unrest has been growing in the face of the crisis, but so have the number of proposals being put forward by civil society. For example, the National Movement for Food and Energy Autonomy, Workers’ Rights and Democratic Freedom – in a letter dated 16 April 2009 addressed to Barack Obama, the President of the United States – suggested initiating a dialogue at the highest level on items such as the urgent renegotiation of NAFTA and the safeguarding of labour, social and human rights in the region. This would include establishing an Asymmetrical Compensation Fund for North America, negotiating a bi-national agreement regarding immigration, and the signature of an agreement in order to promote the Treaty for the Economic and Social Development of North America.

Others believe that times of crisis provide fertile ground for new theoretical concepts. In any case, it is imperative to generate new ideas, alternatives and strategies that are capable of dealing with “the crisis”, be it to minimize its impact or to revise the economic model.

### Supervising public expenditure

In the short and medium term, a major issue on the agenda of civil society organizations working on social development and human rights will be the supervision of public expenditure. This is related to the State’s obligation to devote the highest quantity of resources available for the progressive achievement of economic, social and cultural rights, as well as the premise that “even when resources are severely limited, due to adjustment processes, economic recession or other factors, it is possible and, in fact, it is a duty to protect the vulnerable members of society through the adoption of relatively low-cost

## CHART 1. Classification of Government measures to address the crisis in Latin America and announced or already implemented by Mexico

Monetary and financial policy:	Fiscal policy:
<ul style="list-style-type: none"> <li>• Reduction and/or flexibilization of bank reserves</li> <li>• Provision of liquidity in national currency</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of taxes / Increase of subsidies</li> <li>• Increase and/or anticipation of expenditure (infrastructure)</li> </ul>
Exchange and foreign trade policy:	
<ul style="list-style-type: none"> <li>• Provision of liquidity in foreign currency (excluding Central Banks that intervened by selling foreign currency on the exchange markets)</li> <li>• Increase of tariffs or import restrictions</li> <li>• Reduction of tariffs</li> <li>• Financing for exporters</li> <li>• Credit negotiation with international financial institutions</li> </ul>	
Sectorial policy:	Labour and social policy:
<ul style="list-style-type: none"> <li>• Housing - Small and medium enterprises</li> <li>• Agriculture - Tourism - Industry</li> </ul>	<ul style="list-style-type: none"> <li>• Employment stimuli</li> <li>• Social programmes</li> </ul>
<p>Source: produced by the authors, based on ECLAC (2009).</p>	

programmes”.<sup>21</sup> It should be noted that the Government responded to the 1995 crisis by cutting expenditure, which seriously affected education, health and electricity and had very negative effects on the achievement of economic, social and cultural rights. Although so far the Government has asserted that it will maintain its spending levels, it is vital that its budgetary allocations tackle social issues more effectively and sustainably “by reducing operating expenses, refocusing priorities and reducing administrative costs in certain departments”.<sup>22</sup>

From the human rights perspective it is also essential to follow up on investments in infrastructure promoted as part of the PICE, particularly in order to ensure that, in the case of mega-projects (such as dams), the communities that are likely to be affected are duly informed and consulted, and that social and environmental studies are carried out effectively in order to evaluate projects’ viability and their capacity to promote real development.

In the long term, there is an opportunity at hand not only to survive, but also to outline and foster a more equitable economic and social model, as a way out of the current crisis and to prevent new ones.<sup>23</sup> In any case, respect for international human rights framework is the key point of reference that will make possible the creation of “another Mexico” and “another world”. ■

15 Quintana, V. “La guerra que Obama ignora” [The war Obama does not know about]. *La Jornada*, 17 April 2009.

16 For further information see: <[www.sinmaiznohaypais.org/](http://www.sinmaiznohaypais.org/)>.

17 ECLAC. “The Reaction of the Governments of the Americas to the International Crisis: A Synthetic Presentation of the Policy Measures announced up to 31 March 2009”. Fifth Summit of the Americas, Port of Spain, 17–19 April 2009. Available from: <[www.eclac.org/](http://www.eclac.org/)>.

18 *El Universal*. “Anuncia Calderón plan anticrisis de cinco puntos” [Calderón announces 5-point anti-crisis plan], 8 October 2008. Available at: <[www.eluniversal.com.mx/notas/545274.html](http://www.eluniversal.com.mx/notas/545274.html)>.

19 *La Jornada*, 3 April 2009.

20 González, S. and Rodríguez, I. “Calderón increased public debt by almost one trillion pesos in 2 years”. *La Jornada*, 13 April 2009.

21 UN CESCR. “General Comment N° 3: The nature of States parties obligations,” paragraph 12. United Nations Committee on Economic, Social and Cultural Rights. 1990. Available from: <[www.unhcr.ch/tbs/doc.nsf/\(symbol\)/CESCR+General+comment+3.En?OpenDocument](http://www.unhcr.ch/tbs/doc.nsf/(symbol)/CESCR+General+comment+3.En?OpenDocument)>.

22 Serdán Rosales, A. “Mexico: Poverty and Social Budget Within the Context of the 2008-2009 Financial Crisis.” Presentation during an Espacio DESC session, 23 April 2009.

23 Héctor de la Cueva, *op. cit.*