

## 2.2 The Impact of Globalization



Maps and Graphs



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**Main Idea** Mexico has a developing economy that faces challenges as a result of global trends.

As parts of Mexico are modernizing, the country's economy is growing. However, **globalization**, the development of a world economy based on free trade and the use of labor from other countries, has presented economic challenges.

### A Drive for Growth

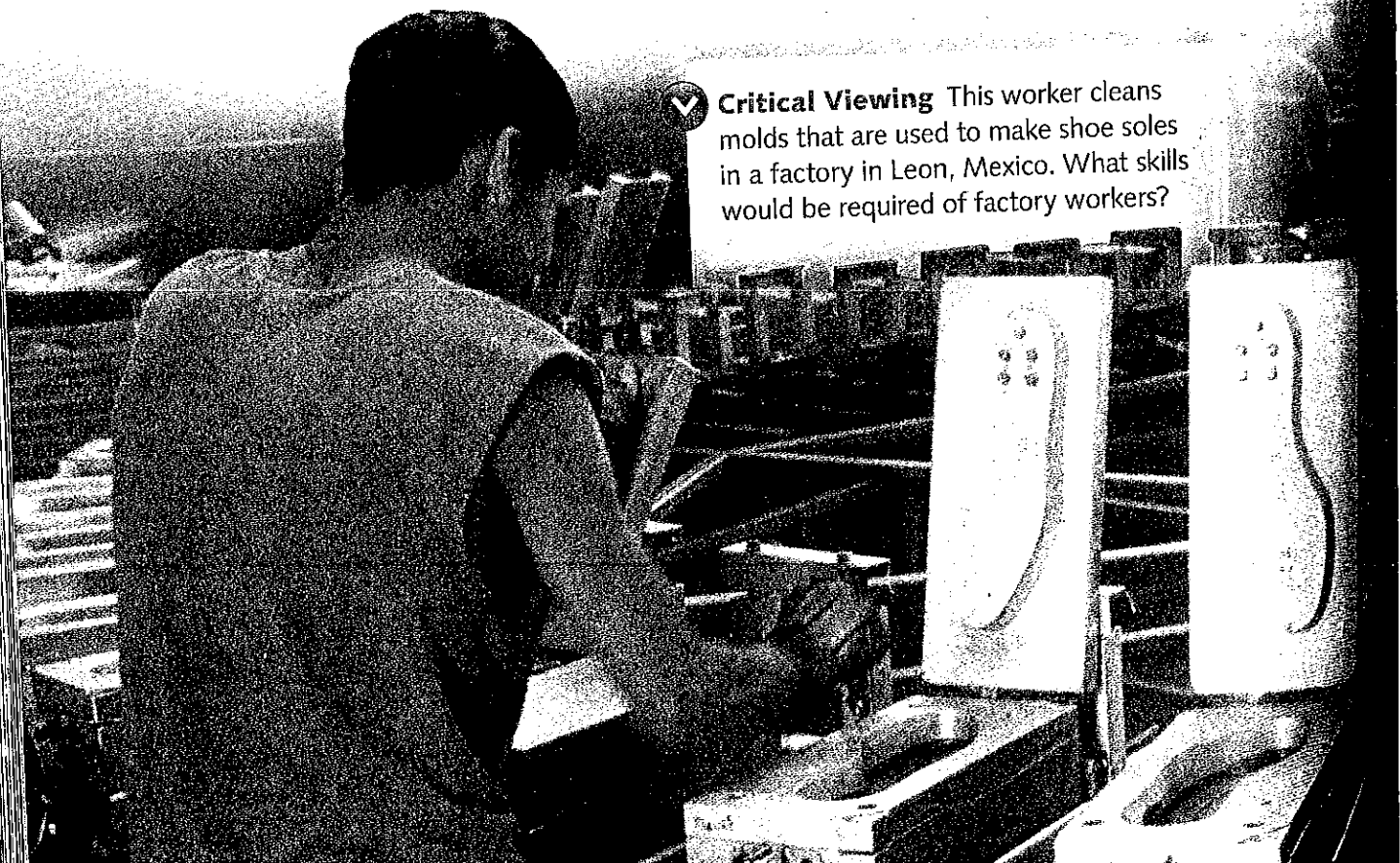
For much of the 20th century, some major industries in Mexico were **nationalized**, or placed under government control. All income from a nationalized industry goes to the government. The profitable oil industry, for example, was nationalized in 1932. For periods of time during the 1900s, the government also controlled Mexico's banking, transportation, and telecommunications systems.

In the 1980s, in an effort to improve the country's economy, Mexico released some control of these industries to private and foreign investors. Another factor of Mexico's economic growth was the adoption of the **North American Free Trade Agreement (NAFTA)** in 1994, which removed many barriers to trade. Since then, Mexican trade with the rest of North America—mostly with the United States—has increased nearly 300 percent. However, NAFTA's critics say the agreement unfairly favors commercial agriculture over small-scale farmers.

### Three Economic Sectors

Economic activity in Mexico takes place in three **economic sectors**, or subdivisions of the economy: agriculture, manufacturing, and service. The agricultural sector includes large-scale production for export.

**Critical Viewing** This worker cleans molds that are used to make shoe soles in a factory in Leon, Mexico. What skills would be required of factory workers?



Major exports include tropical fruits, coffee, sugarcane, and cotton. Silver is also an important mineral resource for Mexico's export income in this sector. Export income also comes from oil sold on world markets.

Manufacturing in Mexico includes automobiles, food processing, and metal products. Heavy foreign investment followed the adoption of NAFTA, which increased manufacturing activity. This investment led to more *maquiladoras*, foreign-owned factories where parts made elsewhere are put together into finished goods and then exported worldwide.

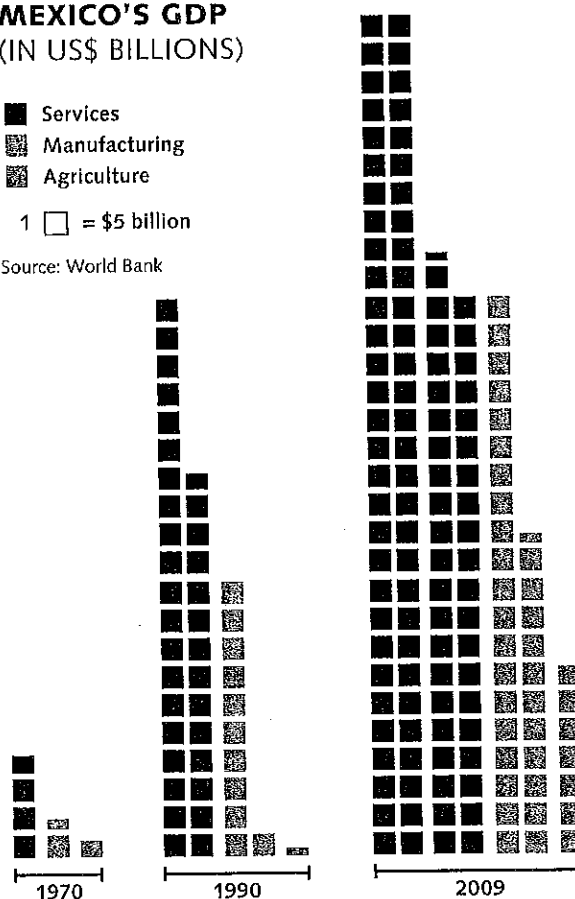
The dollar amount provided to the GDP (Gross Domestic Product) by service industries increased by a factor of more than 25 between 1970 and 2009. This sector includes services such as banking and transportation. Mexico's warm climate and cultural treasures attract tourists from around the globe, making tourism another big part of the service economy.

## MEXICO'S GDP (IN US\$ BILLIONS)

■ Services  
 ■ Manufacturing  
 ■ Agriculture

1 □ = \$5 billion

Source: World Bank



## Economic Challenges

Mexico still faces challenges. Economic growth hasn't happened for most poor people. Many Mexicans have difficulty finding work and migrate to the United States. Some Mexican-owned businesses have transferred jobs to countries where workers are paid less.

### Before You Move On

**Make Inferences** In what ways has globalization affected Mexico's economy?

### ONGOING ASSESSMENT

## DATA LAB

Geographical

- Analyze Data** Based on the graph, which economic sector has grown the most?
- Synthesize** How might NAFTA account for the growth in agriculture between 1990 and 2009?
- Region** Why is tourism important to Mexico?