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## **Despite Significant Texas Job Losses from NAFTA, Rep. Rubén Hinojosa (D-Texas) Casts a Deciding Vote for NAFTA Expansion to Central America**

### ***Public Citizen Launches CAFTA Damage Report to Track Results of Misguided CAFTA Votes***

WASHINGTON, D.C. – The North American Free Trade Agreement (NAFTA) resulted in the net loss of 72,257 jobs in Texas alone.<sup>1</sup> Despite the stark evidence of the NAFTA model's threat to working people in his district, Rep. Rubén Hinojosa (D-Texas) cast a decisive vote for the Central America Free Trade Agreement (CAFTA), an expansion of NAFTA to six additional nations. CAFTA eked through the U.S. House of Representatives on July 27 with a 217-215 vote. Had Hinojosa, who had expressed serious concerns about NAFTA expansion, opposed CAFTA, it would have been rejected on a 216-216 tie vote.

Because CAFTA is projected to expand the disproportionately negative impacts of NAFTA on U.S. Latino workers and wage levels and will impose on millions of Central Americans the same kind of damage that NAFTA caused many Mexicans, the Congressional Hispanic Caucus, of which Hinojosa is a member, voted to oppose CAFTA.<sup>2</sup> Hinojosa's support for CAFTA surprised many; only three of the Congressional Hispanic Caucus' 21 members and 15 of the House of Representative's 202 Democrats supported the controversial NAFTA expansion. The Central American Council of Churches, numerous Central American Catholic bishops and leading U.S. Latino civil rights organizations, such as the League of United Latin American Citizens (LULAC), urged Congress to reject CAFTA.

Following the CAFTA vote, Hinojosa said: "I came to realize that voting for this trade agreement would mean greater job opportunities and increased economic prosperity."<sup>3</sup> However, CAFTA is simply an expansion of a trade model that has already proved to have disastrous effects on Texas and on Hinojosa's 15<sup>th</sup> District in particular. Since the beginning of NAFTA in 1994, 3,608 workers in the 15<sup>th</sup> District alone have been certified for just one narrow government program because they lost their jobs to NAFTA,<sup>4</sup> and this number represents only the small percentage of workers who could meet the difficult qualifications for this program. Under NAFTA, which CAFTA would expand further, Texas lost nearly one in 10 of its manufacturing jobs, or about 76,700 jobs.<sup>5</sup>

"Rep. Hinojosa has often expressed his concerns with NAFTA's results: higher-wage manufacturing jobs in his district lost and his constituents then forced to take low-wage service jobs; increased immigration from Mexico as NAFTA destroyed the livelihoods of millions of *campesinos*; and the further militarization of the border and the terrible civil rights violations that have ensued with the congressman's own constituents mistakenly swept up in immigration raids," said Lori Wallach, director of Public Citizen's Global Trade Watch. "In his district, many people are asking: Why would Congressman Hinojosa vote to expand this damage?"

The Congressional Hispanic Caucus' opposition to CAFTA, the first time the caucus has taken a position on a trade agreement, was based on the disproportionate damage the NAFTA model had done to Latino workers in the United States and the widespread economic and social disruption NAFTA has caused in Mexico. During

NAFTA, the U.S. manufacturing sector lost almost one in six jobs, or about 3 million jobs, since its most recent peak level.<sup>6</sup> U.S. Latino workers have been some of the hardest hit. In 1999, an astounding 47 percent of the total number of workers who received federal assistance under a program for workers certified as having lost jobs as a direct result of NAFTA were Latino.<sup>7</sup> In contrast, Latinos accounted for 12.5 percent of the U.S. population in 2000.<sup>8</sup> The economic fallout in the United States has been concentrated in the western and border regions of the United States, and especially in areas such as Hinojosa's district, where trade-sensitive local industries, such as the textile and apparel industries, have heavy concentrations of Latino workers.<sup>9</sup>

The NAFTA model caused Mexico to suffer many negative economic effects that CAFTA is projected to wreak on the Dominican Republic and the five Central American nations included in the pact. Under NAFTA, sharp cuts in farm subsidy programs combined with the near-elimination of import restrictions on corn and other commodities resulted in dumped U.S. corn flooding the Mexican market, forcing more than 1.3 million *campesinos* (peasant farmers) whose livelihoods were based on small-scale farming off of their land.

Central American countries already have undergone decades of deepening rural poverty – a trend that will likely worsen under CAFTA. Nearly half the CAFTA target countries' populations live in rural areas, of which 64 percent live in poverty, compared to 59.9 percent in 1980.<sup>10</sup> Furthermore, 60 percent of Central America's poor live in rural areas.<sup>11</sup> Oxfam predicts that up to 1.5 million people who rely on the Central American rice industry for their livelihood could face displacement under CAFTA.<sup>12</sup>

Under NAFTA, instead of the precipitous fall in prices paid to Mexican farmers for their crops resulting in falling retail prices for food for Mexican consumers (as "free" trade theory predicts), staple food prices increased sharply and hunger increased. Since NAFTA, a combination of factors – including the migration to the cities of so many Mexican *campesinos* who lost their farms to NAFTA – caused Mexican industrial wages to decline by approximately 10 percent.<sup>13</sup> The proportion of Mexican workers eking out a living in the informal economy has climbed steadily as many displaced *campesinos* have been unable to find work in the shrinking Mexican manufacturing sector.

An estimated 28,000 small- to medium-sized Mexican businesses also were destroyed<sup>14</sup> as NAFTA's service-sector rules – rules that CAFTA also contains – guaranteed access for the Wal-Marts and other mega-retailers that have undercut local small shoe, candy and toy manufacturers and small retailers with their cut-price goods imported from China. Despite promises by NAFTA proponents that the agreement would stabilize Mexico's economy and therefore lower immigration levels, unauthorized immigration from Mexico to the United States is estimated to have increased sharply – more than doubling between 1990 and 2000, with the majority of the growth seen after NAFTA's implementation.<sup>15</sup>

"If CAFTA is enacted, we fear that we will be trying to stem a tide of desperate undocumented immigrants. The proof lies in the results stemming from the North American Free Trade Agreement, which has more than doubled undocumented immigration from Mexico since its enactment," a LULAC spokesperson said.<sup>16</sup>

U.S. border congressional districts, including Hinojosa's, will bear the brunt of the increased Central American immigration that CAFTA is expected to cause.

To track the damage that Hinojosa's misguided vote will inflict on his constituents, Public Citizen is launching the *CAFTA Damage Report*, a publication that will monitor CAFTA's effect on working families, consumers and the environment in the United States and the other CAFTA countries. The *CAFTA Damage Report* will be regularly updated and available at [www.tradewatch.org](http://www.tradewatch.org). Among the issues and questions the *CAFTA Damage Report* will address:

- **How CAFTA affects job opportunities and wage levels for U.S. Latino workers and Central American immigration trends:** While the U.S. economy's export growth after NAFTA resulted in the creation of new jobs, millions more manufacturing jobs were lost simultaneously to increased imports and direct relocation of

plants from the United States to Mexico where wages for production workers in manufacturing were 14.5 percent of those in the United States – \$2.40 versus \$16.44.<sup>17</sup> As Levi Strauss moved more than 700 jobs to Mexico and The William Carter factory fired more than 400 people due to increased company imports from Mexico,<sup>18</sup> workers in the 15<sup>th</sup> district had to find new jobs in the lower wage service sector – with a related drop in their standard of living as Texas wages remained essentially stagnant since NAFTA was signed. Many have had no job at all for long stretches of time, as nearly one in five people in Texas are considered among the long-term unemployed.<sup>19</sup> The *CAFTA Damage Report* will track the U.S. quality-of-job and wage trends following CAFTA. CAFTA's effects on Central America's rural economy and related trends of immigration from Central America to the United States also will be tracked, with a special focus on the implications for key congressional districts, such as Texas' 15<sup>th</sup> district.

- **Did Hinojosa accept the Bush administration's meaningless promise to protect the U.S. sugar industry?** Hinojosa's vote in favor of CAFTA was especially startling because his district is one of the few in Texas in which sugar cane is grown.<sup>20</sup> U.S. sugar growers were unanimous in their fierce opposition to CAFTA. CAFTA allows additional imports of sugar from CAFTA countries, which will cause prices paid U.S. growers to drop. U.S. growers are limited to a set production quota each year in a program that has made sugar one of the few commodities with reliable prices paid to farmers. Farmers in districts such as Texas' 15<sup>th</sup>, where it is more costly to produce sugar than, for instance, in Louisiana growing regions,<sup>21</sup> will be among those hardest hit by CAFTA. When asked about CAFTA's threat to his sugar producers, Hinojosa told the *McAllen Monitor* that he had received "verbal and written assurances from Agriculture Secretary Mike Johanns that in the event of excess sugar supply from the CAFTA countries and Mexico, the extra sugar would be converted to ethanol" to protect U.S. sugar producers.<sup>22</sup> However, this so-called deal is identical to vague promises the Bush administration offered during the U.S. Senate's CAFTA debate, promises that were unanimously and vociferously rejected by the U.S. sugar producers as meaningless.<sup>23</sup> Moreover, the Bush administration has failed to provide any specifics regarding how it would undertake such an ethanol conversion program. Few U.S. ethanol plants use sugar to produce ethanol, nor has the ethanol industry indicated that it would be willing to purchase foreign sugar stocks even if it did have the capacity to use sugar to make products.<sup>24</sup> Also unclear is the mechanism whereby such a transfer could be made, which would surely be opposed by U.S. corn growers that currently provide feedstock to U.S. ethanol plants. Since the CAFTA vote, reports have indicated that President Bush has threatened that sugar growers may "suffer in the next farm bill" for their lack of CAFTA support,<sup>25</sup> a move that may endanger the sugar program essential to growers in Texas' 15<sup>th</sup> district.
- **Did Hinojosa accept meaningless labor-rights related promises from the Bush administration?** Hinojosa voted for CAFTA in spite of the fact that he "still [had] concerns about social justice, labor and sovereignty issues for the CAFTA countries," apparently believing that he could "work with [his] colleagues to implement the carefully negotiated agreements within this trade bill in a way that will bring relief to these issues."<sup>26</sup> Unfortunately, the CAFTA labor agreement requires countries only to enforce their *existing* laws. Several independent studies of CAFTA nation's labor standards by the International Labor Rights Fund, a nonprofit research group commissioned by the Bush administration's Department of Labor to investigate Central American labor conditions, found that the labor standards in CAFTA countries were abysmal.<sup>27</sup> The International Labor Organization (ILO) found 27 ways in which CAFTA countries' laws violated core ILO labor standards.<sup>28</sup> Indeed, the independent labor unions in the Dominican Republic and Central America opposed CAFTA because it would *roll back* labor standards already in effect under existing U.S. trade law with these countries called the Caribbean Basin Initiative, which requires countries to bring their labor laws to ILO standards or risk losing their duty-free trade privileges. Given that this rollback of existing labor standards caused the free-trade New Democratic Coalition to oppose CAFTA, the Bush administration was expected to offer promises of major aid to the CAFTA countries for labor rights improvements to try to provide cover for the few remaining undecided Democratic lawmakers. However, the administration ultimately promised only to provide \$40 million per year for labor and environmental capacity-building in the six affected nations. The actual funding behind this promise has not been appropriated in the Senate spending bills, nor does such a commitment appear in the CAFTA's implementing legislation, much less the CAFTA text itself. However, even if \$40 million per year were to appear, \$6 million per CAFTA country per year for

labor and environmental capacity-building has been dismissed by development experts in the United States and Central America as insultingly inadequate.<sup>29</sup> For example, \$5.6 million is set aside in the recently signed highway bill for a railroad relocation project in Harlingen, Texas, involving less than 16 miles of new track.<sup>30</sup> If \$6 million can barely pay for 16 miles of new railroad tracks, it is ridiculous to think that it could substantially improve both labor and environmental conditions in an entire country.

- **Did Hinojosa receive pork barrel promises for his CAFTA vote?** Given the lasting damage that CAFTA will cause to Hinojosa's constituents, the *CAFTA Damage Report* will seek to unearth and reveal the promises Hinojosa may have received from Republican House leaders for short-term funding for projects. Republican House leaders let it be known that they were holding back major transportation legislation to offer taxpayer-funded goodies in exchange for CAFTA "yes" votes.<sup>31</sup> Knowing that such promises prove elusive, and even when followed through on provide only one-time "good news" to share with constituents in contrast to a bad trade agreement's lasting damage, most members of Congress did not buy into such tactics.

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**Background:** Public Citizen's Global Trade Watch has studied over 90 deals taken by members of Congress for trade votes during the period 1992-2004, and found that over 80 percent of promises on such deals were not kept or were reversed by subsequent events. We divided these deals into pure pork barrel promises, of which 70 percent were broken; and ameliorative policy fix promises, of which 90 percent were broken. For our full report, "Trade Wars – Revenge of the Myth: Deals for Trade Votes Gone Bad," please visit <http://www.citizen.org/documents/tradewars.pdf>.

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<sup>1</sup> Robert E. Scott and David Ratner, "NAFTA's Cautionary Tale: Recent History Suggests CAFTA Could Lead to Further U.S. Job Displacement," Economic Policy Institute Briefing Paper, July 2005.

<sup>2</sup> "Congressional Hispanic Caucus Opposes CAFTA," Congressional Caucus press release, May 26, 2005.

<sup>3</sup> Rep. Rubén Hinojosa (D-Texas), "Hinojosa Votes for CAFTA," Press Release, July 27, 2005.

<sup>4</sup> Trade Adjustment Assistance (TAA) program data, available on Public Citizen's Web site. These numbers cover only TAA certifications in McAllen, Beeville, Alice, Edinburg, Pharr, and Harlingen, TX.

<sup>5</sup> Bureau of Labor Statistics, Current Employment Statistics Survey, All Employees, Manufacturing Super Sector.

<sup>6</sup> U.S. Bureau of Labor Statistics, "Current Employment Statistics," series ID CEU3000000001, extracted May 31, 2004, <http://data.bls.gov/labjava/outside.jsp?survey=ce>.

<sup>7</sup> U.S. General Accounting Office, "Trade Adjustment Assistance: Trends, Outcomes and Management Issues in Dislocated Worker Programs," report GAO-01-59, Oct. 2000, Appendix 1.

<sup>8</sup> "Population by Race and Hispanic or Latino Origin, for All Ages and for 18 Years and Over, for the United States: 2000," U.S. Census Bureau, 2001.

<sup>9</sup> Bureau of Labor Statistics, "Employed Persons by Detailed Industry, Sex, Race, and Hispanic or Latino Ethnicity," *Current Population Survey* 2003, <http://www.bls.gov/cps/cpsaat18.pdf>.

<sup>10</sup> International Fund for Agricultural Development, "Regional Strategy Paper: Latin America and the Caribbean," March 2002.

<sup>11</sup> Centro Internacional de Agricultura Tropical, "Rural Sustainability Indicators: Outlook for Central America," August 2002.

<sup>12</sup> Carlos Galián, "A Raw Deal for Rice Under DR-CAFTA," Oxfam America Briefing Paper, Nov. 2004.

<sup>13</sup> Carlos Salas, "Highlights of Current Labor Market Conditions in Mexico," Global Policy Network Country Brief, April 2003.

<sup>14</sup> Jose María Imaz, "NAFTA Damages Small Businesses," *El Barzon* (Mexico City), Jan. 1997.

<sup>15</sup> See John Audley et al., "NAFTA's Promise and Reality: Lessons from Mexico for the Hemisphere," Carnegie Endowment for International Peace report, 2004, p. 40.

<sup>16</sup> "LULAC passes resolution opposing CAFTA," *San Antonio Business Journal*, July 16, 2004.

<sup>17</sup> AFL-CIO, "NAFTA's Seven-Year Itch: Promised Benefits Not Delivered to Workers," AFL-CIO Briefing Paper, 2001, at 6.

<sup>18</sup> NAFTA-Transitional Adjustment Assistance (1994-2002) program data, available on Public Citizen's Web site. These numbers are from Harlingen and McAllen, TX.

<sup>19</sup> Lawrence Mishel, Jared Bernstein, and Sylvia Allegretto, *The State of Working America 2004/05*, (Washington, DC: Cornell University Press, 2004), at 360 and 372.

<sup>20</sup> "Sugarcane for Sugar, Harvested Acres: 2002," Series 02-M221, U.S. Department of Agriculture National Agricultural Statistics Service.

<sup>21</sup> Stuart Nakamoto, "Trade Liberalization and the U.S. Sugar Industry," Western Extension Marketing Committee at University of Hawaii, Feb. 1996.

<sup>22</sup> Matt Whittaker, "House passes CAFTA by 2 votes," *The Monitor*, July 29, 2005.

<sup>23</sup> American Sugar Alliance, "Last Ditch Efforts for Sugar Deal Fail," press release, June 29, 2005.

<sup>24</sup> "Administration Isolates Sugar Industry on CAFTA, Sets Stage for Vote," *Inside U.S. Trade*, June 24, 2005.

<sup>25</sup> Jerry Hagstrom, "Growers Told USDA Will Defend Sugar Program; But Conrad Says Farmers Must Fight for Programs in the Next Farm Bill," *Grand Forks Herald*, Aug. 15, 2005. Already, the Bush administration has expanded sugar quotas for countries that export sugar to the United States and removed sugar industry representatives from key trade policy consultative committees – efforts that industry and political

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sources say is meant as political retribution. See “Administration Cautiously Opens U.S. Market to More Sugar Imports,” *Inside U.S. Trade*, Aug. 26, 2005; “Administration Removes Sugar Industry Representative from APAC,” *Inside U.S. Trade*, Aug. 26, 2005.

<sup>26</sup> Rep. Rubén Hinojosa (D-Texas), “Hinojosa Votes for CAFTA,” Congressional press release, July 27, 2005.

<sup>27</sup> Larry Margasak, “U.S. Blocked Release of CAFTA Reports,” *Associated Press*, June 29, 2005.

<sup>28</sup> “Fundamental Principles and Rights at Work: A Labour Law Study – Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua,” International Labor Organization, 2003; and “Fundamental Principles and Rights at Work: A Labour Law Study – Dominican Republic,” International Labor Organization, 2004.

<sup>29</sup> Jeff Vogt, “Bingaman ‘Deal’ Is No Deal at All,” Washington Office on Latin America Memorandum, July 14, 2005.

<sup>30</sup> Cameron County, TX Department of Transportation, “North Cameron County Rail Relocation Plan,” Project Update on Web site, accessed August 19, 2005.

<sup>31</sup> “Bush Officials Win Hayes, Aderholt Votes with Assurances on Textiles,” *Inside U.S. Trade*, July 29, 2005.