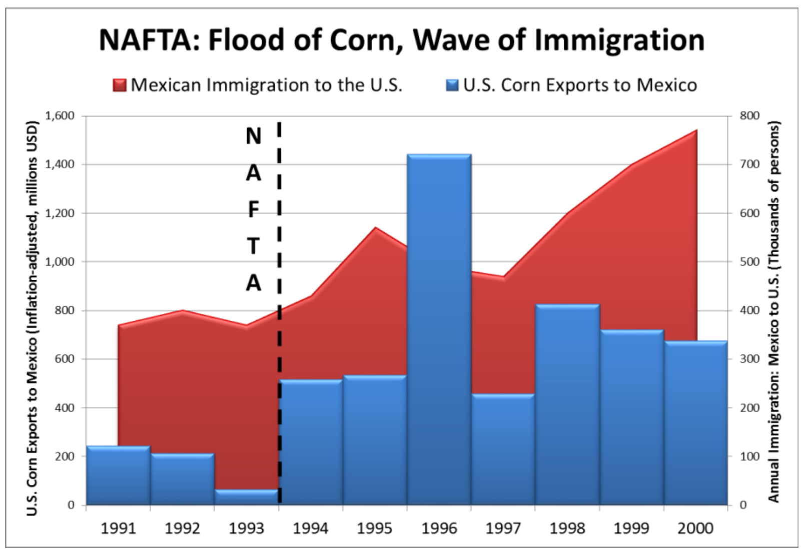
PUBLIC CITIZEN
215 Pennsylvania Avenue, SE • Washington, D.C. 20003 • 202/546-4996 • www.citizen.org

Failed Trade Policy & Immigration: Cause & Effect

Immigration policy will be a significant focus of the 113th Congress. For decades, some U.S. politicians have focused on closing the U.S.-Mexico border to try to stop the northward flow of migrant workers. But little focus has been given to the "supply side" of a surge in immigration into the United States by people from Latin America: U.S. trade policies that have caused massive displacement of small farmers in Mexico and other Latin American countries. Indeed, many policymakers most focused on "closing" the U.S. border were the very same ones who supported U.S. trade policies that have caused the economic crises that destroyed livelihoods and devastated communities throughout Latin America – creating powerful incentives for people desperate for new livelihoods to migrate in the first place. The North American Free Trade Agreement (NAFTA) was negotiated by the George H.W. Bush administration between the United States, Mexico, and Canada and passed by the Bill Clinton administration. Nineteen years of NAFTA have devastated Mexico's rural economy, eroded economic opportunities for decent manufacturing jobs and destroyed many small and medium-sized businesses in Mexico. NAFTA, which benefited only the narrow corporate special interests who designed and pushed it, generated enormous pressures for working-age Mexicans to attempt the dangerous journey to the United States. In NAFTA's first seven years, Mexican immigration to the United States more than doubled, surging 108 percent. The George W. Bush administration then negotiated expansions of the failed NAFTA model to six Central American nations and the Dominican Republic and to Peru, Panama and Colombia.

Mexican immigration to the United States doubled after NAFTA

Former Mexican president Carlos Salinas infamously said that the U.S. choice with NAFTA was between "accepting Mexican tomatoes or Mexican migrants that will harvest them in the United States."[1] Immigration from Mexico to the United States was stable before NAFTA was implemented. Millions of Mexican families lived in rural villages farming plots of land called "*ejidos*" that had been made available through the Mexican Revolution's land reforms. This land could not be sold or seized for debt. But NAFTA required changes to the Mexican Constitution to allow sale andconsolidation of this land into large farms that could be purchased by foreign firms. At the same time, NAFTA eliminated Mexico's tariffs on corn.



U.S. International Trade Commission and Pew Hispanic Center data[2]

Before NAFTA, Mexico only imported corn when a drought or other problems left domestic supplies short**. After NAFTA slashed Mexico's corn tariffs, but left U.S. farm subsidies intact, imported U.S. corn flooded Mexican markets. Within several years, the price paid to Mexican farmers for the corn they produced plummeted by 66 percent, forcing many to abandon farming**.[3] As an exposé in the *New Republic* put it, "as cheap American foodstuffs flooded Mexico's markets and as U.S. agribusiness moved in, 1.1 million small farmers – and 1.4 million other Mexicans dependent upon the farm sector – were driven out of work between 1993 and 2005. Wages dropped so precipitously that today the income of a farm laborer is one-third that of what it was before NAFTA. As jobs disappeared and wages sank, many of these rural Mexicans emigrated, swelling the ranks of the 12 million illegal immigrants living incognito and competing for low-wage jobs in the United States."[4]

More than 2.5 million Mexicans lost their livelihoods to NAFTA farm imports from the United States.[5] The number of annual immigrants from Mexico to the United States more than doubled from 370,000 in 1993 (the year before NAFTA) to 770,000 in 2000 – a 108 percent increase.[6] The number of undocumented immigrants in the United States (who are primarily from Mexico) has increased 185 percent since NAFTA took effect, from 3.9 million in 1992 to 11.1 million in 2011.[7] President Barack Obama discussed this problem during his 2008 campaign, saying that after NAFTA, there "are millions of people in Mexico who are displaced. Many of whom now are moving up to the United States, contributing to the immigration concerns that people are feeling."[8] Instead of renegotiating NAFTA as promised, the Obama administration is now pushing the Trans-Pacific Partnership (TPP), a sweeping NAFTA-style deal with the same farmer-displacing agricultural provisions that involves secretive negotiations with 10 Pacific Rim countries.

Under NAFTA, Mexico's jobs and wage levels fell while prices and poverty rose

NAFTA's results have been much worse than predicted by NAFTA's opponents. The World Bank, a major promoter of trade liberalization, estimates that the percentage of Mexico's rural population who earned less than the minimum needed for a basic diet grew by nearly 50 percent *in the first four years of NAFTA alone*.[9] In addition to the massive displacement in agriculture, an estimated 28,000 small and medium-sized Mexican businesses (many in retail, food processing and light manufacturing that were displaced by NAFTA's new opening for U.S. big box retailers who sold goods imported from Asia) were destroyed in NAFTA's first four years.[10] Meanwhile, the new foreign-investor privileges provided by NAFTA eased the way for footloose multinational corporations to move the manufacturing jobs that left the United States for Mexico in the initial years of NAFTA back out of Mexico. After China's entry into the WTO in 2001, many corporations abandoned Mexico and its $5 per day labor cost to take advantage of China's $1 per day wages, causing the number of manufacturing jobs in Mexico to plummet.[11] Today, over half of the Mexican population, and over 60 percent of the rural population, still fall below the poverty line.[12]

Meanwhile, prices under NAFTA have jumped as the deal eliminated key Mexican food security and consumer price regulations. For instance, the price of tortillas – Mexico's staple food – shot up 279 percent in the pact's first ten years,[13] even as the price paid Mexican corn farmers plummeted. This would seem entirely contrary to free trade theory, which predicts that gains from liberalization come on the import side as all consumers enjoy lower prices, while injury only occurs to those in sectors directly displaced by imports. Yet, NAFTA included service sector and investment rules that facilitated consolidation of grain trading, milling, baking and retail so that in short order the relatively few remaining large firms dominating these activities were able to raise consumer prices and reap enormous profits as corn costs simultaneously declined. Due to climbing prices, Mexico's minimum wage has lost 24 percent of its value in real terms since NAFTA took effect.[14]

The Bush administration forced the same farmer-displacing rules into CAFTA

While most of us were losers under NAFTA, the big pharmaceutical, agribusiness, oil and retail corporations that reaped increasing profits under the model wanted more. Most of Latin America rejected the failed NAFTA model, as evidenced by the 2003 demise of the Free Trade Area of the Americas (FTAA), a proposed hemisphere-wide NAFTA expansion. Plan B for the Bush II administration was to seek NAFTA-clone deals with the remaining "coalition of the willing." First came the U.S.-Central America Free Trade Agreement (CAFTA). It included the same devastating NAFTA-style agricultural provisions. Oxfam predicted that up to 1.5 million people whose livelihoods are connected to Central American rice production could face displacement as CAFTA's agriculture terms are implemented.[15] Central American immigrant advocacy groups like CARECEN, CONGUATE, and SANN raised such concerns early in the process, but were ignored by the Bush administration. CAFTA faced fierce resistance by U.S. Latino organizations, including the League of United Latin American Citizens (LULAC) and the Labor Council for Latin American Advancement (LCLAA), and much of the Congressional Hispanic Caucus. CAFTA was the closest trade vote ever, passing Congress in 2005 by just one vote.

Then the Bush II administration put the same rules in the Peru FTA

The U.S.-Peru Free Trade Agreement (FTA), which passed Congress in late 2007 despite opposition from a majority of House Democrats, was opposed by all major Peruvian family farmer organizations, who were concerned that millions of rural families may be forced to migrate if the pact were ratified.[16] Young Lives, a project of the U.K. government and Save the Children, estimated that the U.S.-Peru FTA would cause income losses among the poorest rural households, reduce the probability of rural children attending school, and increase child labor.[17] Corporate globalization and deregulation has already failed Peru, where income per person has grown at less than one percent per year since 1980.[18] All of these domestic economic strains are likely to force more individuals to leave destitute families behind to try to seek work in the United States.

Obama defied campaign promises and majority public opposition to push passage of Bush II-negotiated NAFTA expansion to displacement-wracked Colombia

Congress passed more NAFTA-style FTAs with Colombia, Panama, and Korea in 2011. More than 82 percent of House Democrats voted against the Colombia FTA - the largest share to ever oppose a Democratic president on trade.[19] That FTA included the same sort of agricultural rules that had devastated small farmers in Mexico. Indeed, Colombia FTA negotiations stalled for a year after the Colombian government refused to zero out tariffs on all staple crops, citing Mexico's NAFTA experience of displacement and increased hunger. Colombia's own Agriculture Ministry predicted the FTA would lead to a 35 percent drop in rural employment. The government report concludes that FTA-displaced Colombians "would have no more than three options: migration to the cities or other countries (especially the United States), working in drug cultivation zones, or affiliating with illegal armed groups." The Bush II administration announced that it would not sign a deal that excluded those staples foods and the Colombian government caved in. Displaced family farmers will add to the 5 million Colombians already displaced by that nation's half-century of civil war. Even before the FTA, Colombia had the largest internal displacement crisis in the world outside of Sudan.[20] Threats of economic dislocation were a key reason that LULAC and LCLAA passed resolutions against the Colombia FTA. Obama committed to oppose the FTA during his 2008 campaign, and in the last debate highlighted his opposition live to the whole nation. Three years later, he completely flip-flopped, paving the way for more NAFTA-style displacement and immigration.

The Trans-Pacific Partnership threatens to expand the immigration crisis

The TPP would mimic the same failed agricultural rules of NAFTA and successor FTAs. Such rural displacement-promoting rules pose a particular threat to agriculturally-centered TPP negotiating countries such as Vietnam, where 60 percent of the population depends on agriculture for their livelihood.[21] Spreading the NAFTA model to more countries threatens to spread the immigration crisis left in NAFTA's wake. But with polls showing majorities of Democrats, Republicans and independents opposing the NAFTA model, members of Congress have proven eager to stand against more of the same on trade.[22] During the 2012 elections, congressional candidates across 30 states deployed more than 125 ads criticizing the economic fallout of status quo trade policy.[23] With the fight over how to respond to the U.S. immigration crisis heating up, and a fight over the TPP brewing, voters will not forget campaign promises to not repeat NAFTA's failure.

For more information, contact Public Citizen's Global Trade Watch: gtwinfo@citizen.org www.tradewatch.org

ENDNOTES

[1] Juan Arvizu, “Preocupa la falta de acuerdo migratorio,” *El Universal* (Mexico), April 24, 2005.
[2] Data for the graph comes from two sources. U.S. corn exports to Mexico are inflation-adjusted annual domestic exports of unmilled maize (SITC 04490), from U.S. International Trade Commission, “Interactive Tariff and Trade Dataweb,” accessed December 27, 2012. Available at: http://dataweb.usitc.gov/. Annual immigration from Mexico to the United States is from Jeffrey Passel, D’Vera Cohn, and Ana Gonzalez-Barrera, "Net Migration from Mexico Falls to Zero—and Perhaps Less," Pew Hispanic Center, April 23, 2012, at 45. Available at: http://www.pewhispanic.org/files/2012/04/Mexican-migrants-report_final.pdf.
[3] Timothy Wise, “Agricultural Dumping Under NAFTA: Estimating the Costs of U.S. Agricultural Policies to Mexican Producers,” Woodrow Wilson International Center for Scholars, 2010, at 3. Available at: http://www.ase.tufts.edu/gdae/Pubs/rp/AgricDumpingWoodrowWilsonCenter.pdf.
[4] John B. Judis, “Trade Secrets,” *The New Republic,* April 9, 2008. *See* also John Audley, Sandra Polaski, Demetrios G. Papademetriou, and Scott Vaughan, “NAFTA’s Promise and Reality: Lessons from Mexico for the Hemisphere,” Carnegie Endowment for International Peace Report, November 2003; Jeffrey S. Passel and Roberto Suro, “Rise, Peak and Decline: Trends in U.S. Immigration 1992 – 2004,” September 2005, Pew Hispanic Center, at 39; Robert Kuttner, “Foolish supporters vastly inflate the meaning of NAFTA,” *Baltimore Sun*, Oct. 29, 1993.
[5] John B. Judis, “Trade Secrets,” *The New Republic,* April 9, 2008.
[6] Jeffrey Passel, D’Vera Cohn, and Ana Gonzalez-Barrera, "Net Migration from Mexico Falls to Zero—and Perhaps Less," Pew Hispanic Center, April 23, 2012, at 45. Available at: http://www.pewhispanic.org/files/2012/04/Mexican-migrants-report_final.pdf.
[7] Jeffrey S. Passel, “The Size and Characteristics of the Unauthorized Migrant Population in the U.S.: Estimates Based on the March 2005 Current Population Survey,” Pew Hispanic Center Research Report, March 7, 2006, at 9.
and Jeffrey S. Passel and D'Vera Cohn, " Unauthorized Immigrants: 11.1 Million in 2011," Pew Hispanic Center, December 6, 2012, Available at: http://www.pewhispanic.org/2012/12/06/unauthorized-immigrants-11-1-million-in-2011/.
[8] Nina Easton, “Obama: NAFTA not so bad after all”, Fortune Magazine, June, 18, 2008.
[9] Colombia and Mexico Country Management Unit, Latin America and the Caribbean Region, Poverty Reduction and Economic Management Division, “Poverty in Mexico: An Assessment of Conditions, Trends and Government Strategy,” World Bank Report No. 28612-ME, June 2004, at 57.
[10] Jose María Imaz, “NAFTA Damages Small Businesses,” *El Barzón* (Mexico City), January 1997.
[11] Eduardo Zepeda, Timothy A. Wise, and Kevin P. Gallagher, “Rethinking trade policy for development: Lessons from Mexico under NAFTA,” Carnegie Endowment for International Peace, December 2009. Available at: http://carnegieendowment.org/files/nafta_trade_development.pdf.
[12] World Bank, “World dataBank: World Development Indicators,” accessed Jan. 15, 2013. Available at: http://databank.worldbank.org.
[13] Gisele Henriques and Raj Patel, "NAFTA, Corn, and Mexico’s Agricultural Trade Liberalization," Interhemispheric Resource Center, February 13, 2004, at 6, Available at: http://dspace.cigilibrary.org/jspui/bitstream/123456789/113/1/NAFTA%20Corn%20and%20Mexicos%20Agricultural%20Trade%20Liberalization.pdf.
[14] Author’s calculations, based on Servicio de Administracion Tributaria, “Salarios Minimos 2010,” Available at: http://www.sat.gob.mx/sitio_Internet/asistencia_contribuyente/informacion_frecuente/salarios_minimos/
and International Monetary Fund, “World Economic Outlook Database,” April 2010.
[15] Carlos Galián, “A Raw Deal for Rice Under DR-CAFTA,” Oxfam America Briefing Paper, November 2004.
[16] Press Release, National Agrarian Federation of Peru, Conveagro, et. al., “Call for a National Strike on Peru FTA,” March 2006.
[17] “The Social Impacts of Trade Liberalization: How Can Childhood Poverty Be Reduced?” Young Lives Project Brief, 2005, at 4-5.
[18] Author’s calculations, based on International Monetary Fund, “World Economic Outlook Database,” April 2010.
[19] See Lori Wallach, “Job-Killing Trade Deals Pass Congress Amidst Record Democratic Opposition,” The Huffington Post, October 13, 2011. Available at: http://www.huffingtonpost.com/lori-wallach/obama-free-trade-agreements_b_1008113.html.
[20] See http://www.internal-displacement.org/countries/colombia.
[21] World Bank, “Rural Development and Agriculture in Vietnam,” accessed Jan. 16, 2013. Available at: http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/EXTEAPREGTOPRURDEV/0,,contentMDK:20534368~menuPK:3127821~pagePK:34004173~piPK:34003707~theSitePK:573964,00.html.
[22] Agnus Reid Public Opinion, “Americans and Canadians Feel They Have Lost Out with NAFTA,” May 7-8, 2012. Available at: http://www.angus-reid.com/wp-content/uploads/2012/05/2012.05.17_NAFTA.pdf.
[23] See Public Citizen, “Obama, Romney and Congressional Candidates Nationwide Used Trade-Themed Ads to Appeal to U.S. Majority Opposing Trade Status Quo, Reinforcing Public Anger and Building Expectations for Reform,” November 7, 2012. Available at: http://citizen.typepad.com/eyesontrade/2012/11/obama-romney-and-congressional-candidates-nationwide-used-trade-themed-ads-to-appeal-to-us-majority-.html.