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Failed Trade Policy & Immigration: Cause & Effect

Immigration policy remains a significant focus of 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. More than two decades 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.

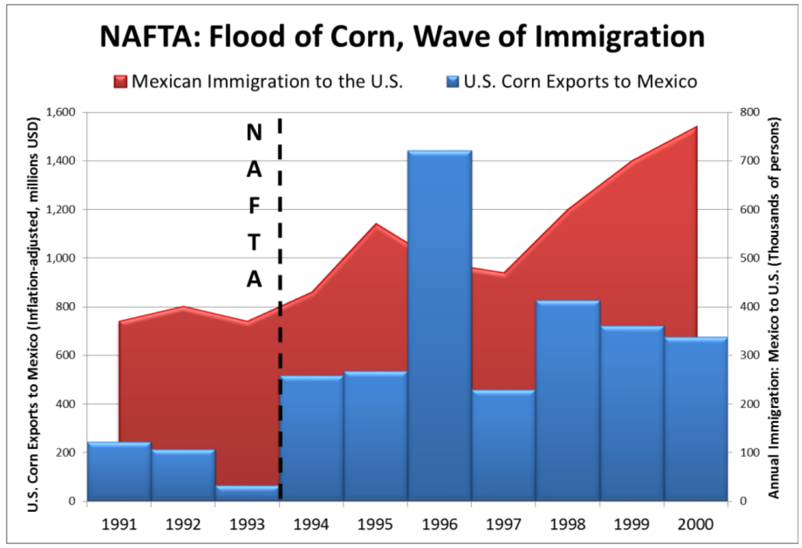
The George W. Bush administration then negotiated an expansion of the failed NAFTA model to six Central American nations via the controversial Central America Free Trade Agreement (CAFTA). CAFTA proponents promised that the deal would reduce gang and drug-related violence in Central America, diminishing the flow of immigrants from the region to the United States. But the opposite has happened – gang and drug-related violence in Central America has reached record highs and immigration from the region has surged, as dramatically demonstrated by the waves of unaccompanied Central American children arriving at the U.S. southern border. Economic instability – exacerbated by CAFTA – has fed the region's increase in violence and forced migration. Under CAFTA, family farmers in El Salvador, Guatemala and Honduras have been displaced, while the economies have become dependent on short-lived apparel assembly jobs – many of which have already vanished.

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.[2] 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 Mexico's participation in NAFTA helped propel a change to the Mexican Constitution to allow sale and consolidation of this land into large farms that could be purchased by foreign firms.[3]

At the same time, NAFTA phased out Mexico's tariffs on corn. 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**.[4] 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."[5]



U.S. International Trade Commission and Pew Hispanic Center

As more than 2.5 million Mexicans lost their livelihoods to NAFTA farm imports from the United States,[6] the number of annual immigrants from Mexico to the United States more than doubled. It grew from 370,000 in 1993 (the year before NAFTA) to 770,000 in 2000 – a 108 percent increase.[7] The number of undocumented immigrants from Mexico living in the United States has also doubled under NAFTA, from about 2.9 million in 1995 to 5.9 million in 2012.[8] 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."[9] 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 11 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*.[10] In addition to the massive displacement in agriculture, an estimated 28,000 small and medium-sized Mexican businesses were destroyed in NAFTA's first four years (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).[11] 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.[12] Today, over half of the Mexican population, and over 60 percent of the rural population, still fall below the poverty line, despite the promises made by NAFTA's proponents.[13]

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,[14] even as the price paid to 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. While the cost of basic consumer goods in Mexico has risen to seven times the pre-NAFTA level, the minimum wage stands at only four times the pre-NAFTA level. As a result, a minimum wage earner in Mexico today can buy 38 percent fewer consumer goods as on the day that NAFTA took effect.[15]

CAFTA's farmer-displacing rules feed Central America's forced migration crisis

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 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 alone could face displacement as CAFTA's agriculture terms were implemented.[16] 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.

The warnings that CAFTA would spur further displacement have unfortunately proven accurate. Under CAFTA, family farmers in Honduras, El Salvador, and Guatemala – the three countries experiencing high rates of violence and forced migration – have been inundated with a doubling of agricultural imports – mainly grains – from U.S. agribusinesses.[17] While these exports represent a small fraction of the business of U.S. agricultural firms, they represent a big threat to the Central American family farmers who do not have the subsidies, technology, and land to compete with the influx of grain. And despite promises to the contrary, most small-scale farmers in those countries have not seen a boost in exports of their products to the United States. Agricultural exports from El Salvador to the United States under CAFTA have actually grown less than half as fast as *global* agricultural exports to the U.S.[18] And Honduras's agricultural exports to the U.S. have been swamped by the surge in agricultural imports. Honduras went from being a net agricultural exporter to the United States in the six straight years before CAFTA to being a net agricultural importer from the United States in the six straight years after the deal took effect.[19]

Some CAFTA proponents understood that Central America's small-scale farmers may not fare well under the deal, but promised that displaced workers could find new jobs in the garment assembly factories, or *maquilas*, producing clothing for export to the United States. These factories are not only notorious for abusing workers' rights and paying low wages, but for leaving a country as soon as cheaper wages can be found in another low-wage country. Indeed, apparel exports to the United States from each of the three countries in question – Honduras, El Salvador, and Guatemala – were lower in 2014 than in the year before CAFTA took effect. In Honduras, apparel exports to the U.S. have fallen more than 20 percent in CAFTA's first 9 years. Guatemala has seen a nearly 40 percent downfall, contributing to the economic instability feeding the region's violence and migration.[20] Jobs in the apparel factories of Central America would be expected to disappear even quicker if the controversial Trans-Pacific Partnership would take effect. The TPP includes Vietnam, where the average minimum wage is a fraction of minimum wages in Central America, and even in China.[21]

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.[22] One out of every four Peruvians depends on agriculture for their livelihood.[23] 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.[24] Corporate globalization and deregulation has already failed Peru, where income per person has grown at less than one percent per year since 1980.[25] Additional 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.[26] 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. A government report concluded 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 staple foods and the Colombian government caved in. In addition to zeroing out Colombia's tariffs on sensitive agricultural products, the FTA required Colombia to eliminate government policies supporting domestic farmers,[27] while allowing the U.S. government to continue subsidizing U.S. agribusinesses to the tune of $15 billion each year.[28]

An economic study conducted prior to the FTA's passage predicted that the asymmetrical deal would lead to income losses of up to 70 percent for the vast majority of Colombia's farmers, contributing to their displacement.[29] Indeed, in the first three years of the Colombia FTA, Colombia's farmers endured a $1.7 billion increase (a 197 percent surge) in agricultural imports from the United States. In that same timeframe, Colombia's agricultural exports to the United States rose by just $81 million (or 3 percent).[30] In August 2013, after just one year of the FTA, the growing desperation and displacement afflicting Colombia's countryside prompted Colombia's farmers to launch a nationwide agrarian strike, block major roadways and join hundreds of thousands of Colombians in massive protest marches.[31] One of the protestors' key demands was for the Colombian government to suspend and renegotiate the Colombia FTA.[32] As the demand has gone unmet, Colombia's family farmers continue to be displaced, adding to the more than 6 million Colombians already displaced by that nation's half-century of civil war. Colombia currently has the largest internal displacement crisis in the world outside of Syria.[33]

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.[34] 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.[35] Recent election cycles have featured a bipartisan race to align campaign positions with the U.S. public's opposition to current U.S. trade policies. With the fight over how to respond to the U.S. immigration crisis heating up, and the fight over the TPP intensifying, voters will not forget campaign promises to not repeat the failures of NAFTA-style deals.

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