The NAFTA-CAFTA Legacy: Failed Trade Policy That Drove Millions From Their Homes

President Trump is scapegoating Latin American immigrants for the economic insecurity facing many Americans with his racist attacks on Mexicans and xenophobic obsession with building a wall along our southern border. But it is the same U.S. trade policies that harm working people in the United States that also have left many in Latin America with no options but migration as they struggle to feed and care for their families. The North American Free Trade Agreement (NAFTA) crushed small farmers in Mexico, displacing millions in rural communities. Pacts that followed, such as the Central America Free Trade Agreement (CAFTA) and Free Trade Agreements with Peru and Colombia, destroyed livelihoods and devastated communities throughout Latin America. Many of the immigrants Trump now attacks have experienced some of the worst damage caused by our current trade policy.

NAFTA was negotiated by the George H.W. Bush administration between the United States, Mexico and Canada, and passed by the Bill Clinton administration. NAFTA devastated Mexico's rural economy and destroyed many small- and medium-sized businesses in Mexico. With millions of Mexicans displaced from rural communities competing for the hundreds of thousands of manufacturing jobs that relocated from the United States under NAFTA, many found no work. For many who did, wages remained low. These factors generated enormous pressures for working-age Mexicans to attempt the dangerous journey to the United States. In NAFTA's first seven years, Mexican migration to the United States more than doubled, surging 108 percent.

The George W. Bush administration then negotiated an expansion of the failed NAFTA model with five Central American nations and the Dominican Republic called CAFTA. CAFTA's proponents promised it would create economic opportunities, reduce gang- and drug-related violence in Central America and thus diminish the flow of migration to the United States. The opposite occurred. Rural communities were gutted as exports of subsidized U.S. agricultural products wiped out local farmers. The displaced sought short-lived apparel assembly jobs – many of which then vanished with production shifting to Vietnam and other countries. Gang- and drug-related violence in Central America has reached record highs, and forced migration from the region has surged. The waves of unaccompanied Central American children that have arrived at the U.S. southern border spotlighted the social and economic devastation of the region after a decade of CAFTA.

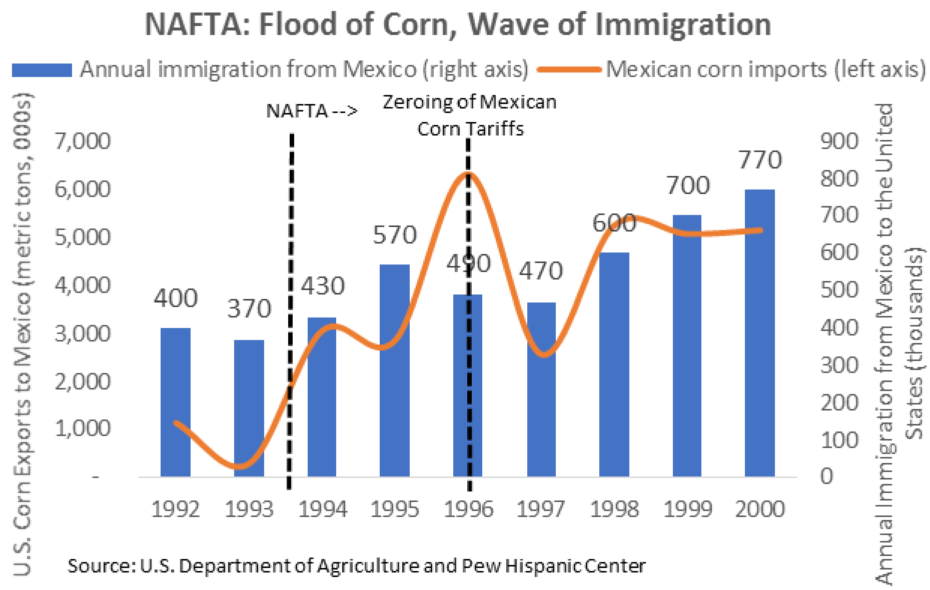
Mexican Migration to the United States Doubled After NAFTA

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." Migration from Mexico to the United States was stable before NAFTA. 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 a U.S. condition for Mexican participation in NAFTA was changes to these rules in Mexico's Constitution so as to allow sale and consolidation of this land into large plots that could be acquired by foreign firms.

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. A *New Republic* exposé noted: "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."

The number of people migrating to the United States from Mexico remained steady in the three years preceding NAFTA's implementation. However, during NAFTA's first six years, the number of annual immigrants from Mexico had more than doubled, coinciding with a flood of U.S. subsidized corn into Mexico. From 1993 to 2000, annual immigration from Mexico increased from 370,000 to 770,000.

With annual immigration on the rise, the total number of undocumented immigrants from Mexico living in the United States increased from about 2 million in 1990 to a peak of 6.9 million in 2007 when the financial crisis limited job opportunities and slowed migration rates. As the U.S. economy has slowly recovered, the number of undocumented immigrants from Mexico in the U.S. has leveled off at 5.7 million.



Under NAFTA, Mexican Wage Levels Fell While Prices and Poverty Rose

NAFTA's results have been much worse than predicted by NAFTA's opponents. Real average annual wages in Mexico have fallen below pre-NAFTA levels, contrary to the promises by NAFTA supporters that the pact would raise Mexicans' living standards. Instead, since NAFTA real average annual wages have declined in Mexico, and those making the least have been hurt the most, with the minimum wage declining 8.3 percent. Today, 42 percent of the Mexican population and nearly 60 percent of the rural population still fall below the poverty line. The World Bank, a major promoter of trade liberalization, estimated 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*.

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 that sold goods imported from Asia). 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 to even lower-wage venues. After China's entry into the WTO in 2001, many corporations abandoned Mexico and its then \$5 average manufacturing wage per hour to take advantage of China's \$1 average manufacturing wage per hour, causing the number of manufacturing jobs in Mexico to plummet.

Meanwhile, consumer prices in Mexico during the NAFTA era have jumped as the deal eliminated key 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, 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.

CAFTA's Farmer-displacing Rules Feed Central America's Forced Migration Crisis

After observing the devastation that NAFTA caused in Mexico's countryside, most Latin American nations rejected the failed NAFTA model. This became evident with the 2003 demise of a U.S.-proposed Free Trade Area of the Americas (FTAA), a would-be, hemisphere-wide NAFTA expansion. But the big pharmaceutical, agribusiness, oil and retail corporations that reaped increasing profits under the NAFTA model wanted more. Plan B for the Bush II administration was to seek NAFTA-clone deals with the remaining "coalition of the willing" countries in Latin America.

Among those deals was 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. 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. Latinx organizations, including the League of United Latin American Citizens and the Labor Council for Latin American Advancement, and much of the Congressional Hispanic Caucus. CAFTA passed Congress in 2005 by 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. agribusiness. While these exports represent a small fraction of U.S. agricultural firms' business, they represent a big threat to Central America's small farmers, who do not have the subsidies, technology and land to compete with the influx of grain. And contrary to promised gains, 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 one-fifth slower than *global* agricultural exports to the United States. And Honduras' agricultural exports to the United States have been swamped by the surge in agricultural imports. Honduras went from being a net agricultural exporter to the United States in the six years before CAFTA to being a net agricultural importer from the United States in the decade after the deal took effect.

Some CAFTA proponents understood that Central America's small-scale farmers would 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 2017 than in the year before CAFTA took effect. Honduras' apparel exports to the United States fell more than 23 percent in CAFTA's first 12 years. Guatemala and El Salvador have seen decreases of 41 and 5 percent, respectively, contributing to the economic instability feeding the region's violence and migration.

Welcome Immigrants, Replace NAFTA: The Need for a More Humane Trade Policy

The humanitarian crisis wrought by U.S. trade and economic policies in the Americas requires that we replace those policies, not wall ourselves off from the people who have borne their brunt. U.S. policymakers should reject policies that unfairly target immigrant members of our community, and instead work to replace NAFTA and other failed trade deals so that they raise living standards in all countries.