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Obama Mexico Visit Spotlights 20-Year Legacy of Job Loss from NAFTA, the Pact on Which Obama's Trans-Pacific Partnership Is Modeled

New Public Citizen Report Catalogs the Negative NAFTA Outcomes That Are Fueling Opposition to Obama Push to Fast Track TPP

WASHINGTON, D.C. – The 20-year record of job loss and trade deficits from the North American Free Trade Agreement (NAFTA) is haunting President Barack Obama's efforts to obtain special trade authority to fast track the Trans-Pacific Partnership (TPP), said Public Citizen as it released a new report that comprehensively documents NAFTA's outcomes. Next week's presidential trip to Mexico for a long-scheduled "Three Amigos" U.S.-Mexico-Canada summit will raise public attention to NAFTA, on which the TPP is modeled, which is not good news for Obama's push for the TPP and Fast Track.

Numerous polls show that opposition to NAFTA is among few issues that unite Americans across partisan and regional divides. Public ire about NAFTA's legacy of job loss and policymakers' concerns about two decades of huge NAFTA trade deficits have plagued the administration's efforts to obtain Fast Track trade authority for the TPP. The TPP would expand the NAFTA model to more nations, including ultra-low-wage Vietnam. In the U.S. House of Representatives, most Democrats and a bloc of GOP have indicated opposition to Fast Track, as has Senate Majority Leader Harry Reid (D-Nev.).

Public Citizen's new report, "NAFTA's 20-Year Legacy and the Fate of the Trans-Pacific Partnership," compiles government data on NAFTA outcomes to detail the empirical record underlying the public and policymaker sentiment. It also shows that warnings issued by NAFTA boosters that a *failure* to pass NAFTA would result in foreign policy crises – rising Mexican migration and a neighboring nation devolving into a troubled narco-state – actually came to fruition in part *because* of NAFTA provisions that destroyed millions of rural Mexican livelihoods.

"Outside of corporate boardrooms and D.C. think tanks, Americans view NAFTA as a symbol of job loss and a cancer on the middle class," said Lori Wallach, director of Public Citizen's Global Trade Watch. "If you are a president battling to overcome bipartisan congressional skepticism about giving you special trade authority to fast track a massive 12-nation NAFTA expansion, it is really not helpful to be visiting Mexico for a summit of NAFTA-nation leaders."

The Public Citizen report shows that not only did projections and promises made by NAFTA proponents not materialize, but many results are exactly the opposite. Such outcomes include a staggering $177 billion U.S. trade deficit with NAFTA partners Mexico and Canada, one million net U.S. jobs lost in NAFTA's first decade alone, slower U.S. manufacturing and services export growth to Mexico and Canada, a doubling of immigration from Mexico, larger agricultural trade deficits with Mexico and Canada, and more than $360 million paid to corporations after "investor-state" tribunal attacks on, and rollbacks of, domestic public interest policies.

"The data have disproved the promises of more jobs and better wages, so bizarrely now NAFTA defenders argue the pact was a success because it expanded the volume of U.S. trade with the two countries without mentioning that this resulted in a 556 percent increase in our trade deficit with those countries, with a flood of new NAFTA imports wiping out hundreds of thousands of American jobs," said Wallach.

The study tracks specific promises made by U.S. corporations like Chrysler, GE and Caterpillar to create specific numbers of American jobs if NAFTA was approved, and reveals government data showing that instead, they fired U.S. workers and moved operations to Mexico.

"The White House and the corporate lobby sold NAFTA with promises of export growth and job creation, but the actual data show the projections were at best wrong," said Wallach. "The gulf between the gains promised for NAFTA and the damage that ensued means that the public and policymakers are not buying the same sales pitch now being made for the TPP and Fast Track."

The report also documents how post-NAFTA trade and investment trends have contributed to middle-class pay cuts, which in turn contributed to growing income inequality; how since NAFTA, U.S. trade deficit growth with Mexico and Canada has been 50 percent higher than with countries not party to a U.S. Free Trade Agreement, and how U.S. manufacturing and services exports to Canada and Mexico have grown at less than half the pre-NAFTA rate.

Among the study's findings:

- **Rather than creating in any year the 200,000 net jobs *per year* promised by former President Bill Clinton on the basis of Peterson Institute for International Economics projections, job loss from NAFTA began rapidly:**
    - American manufacturing jobs were lost as U.S. firms used NAFTA's foreign investor privileges to relocate production to Mexico, and as **a new flood of NAFTA imports swamped gains in exports, creating a massive new trade deficit that equated to an estimated net loss of one million U.S. jobs by 2004.** A small pre-NAFTA U.S. trade surplus of $2.5 billion with Mexico turned into a huge new deficit and a pre-NAFTA $29.6 billion deficit with Canada exploded. The 2013 NAFTA deficit was $177 billion, representing a more than six-fold increase in the NAFTA deficit.
    - **More than 845,000 specific U.S. workers, most in the manufacturing sector, have been certified for Trade Adjustment Assistance (TAA) since NAFTA** because they lost their jobs due to offshoring to, or imports from, Canada and Mexico. The TAA program is narrow, covering only a subset of jobs lost at manufacturing facilities, and is difficult to qualify for. Thus, the TAA numbers significantly undercount NAFTA job loss. A TAA database searchable by congressional district, sector and more is available here.

- **NAFTA has contributed to downward pressure on U.S. wages and growing income inequality.** There is broad consensus among economists that recent trade flows have been a significant contributor to growing income inequality; the only debate is about the degree of trade's responsibility**.** NAFTA's broadest economic impact has been to fundamentally transform the types of jobs and wages available for the 63 percent of American workers without a college degree. Most of those who lost manufacturing jobs to NAFTA offshoring and import competition found reemployment in lower-wage service sector jobs. **According to the U.S. Bureau of Labor Statistics, two out of every three displaced manufacturing workers who were rehired in 2012 experienced a wage reduction, most of them taking a pay cut of greater than 20 percent.** As increasing numbers of workers displaced from manufacturing jobs have joined those competing for non-offshorable, low-skill jobs in sectors such as hospitality and food service, real wages have also fallen in these sectors under NAFTA. The resulting downward pressure on middle-class wages has fueled recent growth in income inequality.

- Scores of environmental and health laws have been challenged in foreign tribunals through NAFTA's controversial investor-state dispute resolution system. **More than $360 million in compensation to investors has been extracted from NAFTA governments via "investor-state" tribunal challenges against toxics bans, land-use rules, water and forestry policies, and more.** More than $12.4 billion is pending in such NAFTA claims**,** including challenges of medicine patent policies, a fracking moratorium and a renewable energy program.

- **The average annual U.S. agricultural trade deficit with Mexico and Canada in NAFTA's first two decades reached $975 million, almost three times the pre-NAFTA level**. U.S. beef imports from Mexico and Canada, for example, have risen 133 percent. Over the past decade, total U.S. food exports to Mexico and Canada have actually fallen slightly while U.S. food imports from Mexico and Canada have more than doubled. This stands in stark contrast to projections that NAFTA would allow U.S. farmers to export their way to newfound wealth and farm income stability. Despite a 239 percent rise in food imports from Canada and Mexico under NAFTA, the average nominal U.S. price of food in the United States has jumped 67 percent since NAFTA.

- The reductions in consumer goods prices that *have* materialized have not been sufficient to offset the losses to wages under NAFTA; **U.S. workers without college degrees (63 percent of the workforce) likely have lost a net amount equal to 12.2 percent of their wages even after accounting for gains from cheaper goods**. This net loss means a loss of more than $3,300 per year for a worker earning the median annual wage of $27,500.

- **The export of subsidized U.S. corn did increase under NAFTA's first decade, destroying the livelihoods of more than one million Mexican *campesino* farmers and about 1.4 million additional Mexican workers whose livelihoods depended on agriculture.**The desperate migration of those displaced from Mexico's rural economy pushed down wages in Mexico's border maquiladora factory zone and contributed to a doubling of Mexican immigration to the United States following NAFTA's implementation.

- **Facing displacement, rising prices and stagnant wages, more than half the Mexican population, and more than 60 percent of the rural population, still falls below the poverty line, despite the promises that NAFTA would bring broad prosperity to Mexicans**. Real wages in Mexico have fallen significantly below pre-NAFTA levels as price increases for basic consumer goods have exceeded wage increases. A minimum wage earner in Mexico today can buy 38 percent fewer consumer goods than on the day that NAFTA took effect. Despite promises that NAFTA would benefit Mexican consumers by granting access to cheaper imported products, the cost of basic consumer goods in Mexico has risen to seven times the pre-NAFTA level, while the minimum wage stands at only four times the pre-NAFTA level. Though the price paid to Mexican farmers for corn plummeted after NAFTA, the deregulated retail price of tortillas – Mexico's staple food – shot up 279 percent in the pact's first 10 years.

"Given NAFTA's damaging outcomes, few of the corporations or think tanks that sold it as a boon for all of us in the 1990s like to talk about it, but the reality is that their promises failed, the opposite occurred and millions of people were severely harmed and now this legacy is derailing President Obama's misguided push to expand NAFTA through the TPP," said Wallach.

The report is available at http://www.citizen.org/documents/NAFTAs-20-year-legacy.pdf.