Trade disagreement: The inequalities of NAFTA

by Laura Carlsen in the September 8, 2009 issue

In the Democratic presidential primaries NAFTA became a dirty word. Hillary Clinton and Barack Obama vied to out-diss the trade agreement and gain the votes of disenchanted (and often unemployed) workers in blue-collar parts of the country.

The candidates weren't just pandering to swing states. Surveys showed for the first time that the scales had tipped: the majority polled nationwide expressed negative opinions of the 1994 North American Free Trade Agreement between the United States, Canada and Mexico. Evaluations of NAFTA at the ten- and 15-year anniversaries had increased skepticism because they had recorded flat growth in Mexico and job loss in the United States.

It was quite a turnaround. NAFTA first entered the American lexicon as a symbol of progress measured by rapid economic integration. Globalization of what we produce and what we consume seemed a beneficial and, in any case, inevitable outcome.

Nowhere was the experiment of regional integration as extreme and rapid as in North America under NAFTA. It demolished trade and investment barriers such as protective tariffs and local preferences. It dismantled government support programs (except when the undisputed leader of the process, the U.S., found that inconvenient, such as in regard to its own farm bill). It extended intellectual-property monopolies well beyond those mandated by the World Trade Organization.

What NAFTA did not do is what the European Union had done. NAFTA ignored the potential immigration impact of its own measures and refused to build in compensation funds or transition strategies to account for the huge asymmetry between the national economies involved. Mexico's economy was less than 1/15th the size of that of the U.S., and millions of Mexican families lived in extreme poverty. NAFTA provided no means of dealing with this unlevel playing field. Instead it counted on the market to resolve all possible problems.

Measured solely by the degree of economic integration, the NAFTA experiment succeeded. The U.S.-Mexico border has become the most highly integrated region of the world. Some $35 million worth of goods cross the border every hour. Total trade among the three NAFTA countries has more than doubled, while total merchandise trade between the U.S. and Mexico nearly tripled, from $81.6 billion in 1993 to $266.6 billion by 2004.

But rising trade figures aren't the same as improved quality of life for the average citizen. NAFTA-related job loss in the United States is outstripping the generation of jobs. Canadians protest the loss of sovereign control and of the ability to do sustainable planning of natural resource use due to obligatory exports to the U.S. under NAFTA.

Mexico—the decidedly junior partner in the deal—has experienced massive displacement. Small farmers lost their livelihoods to competition from imported corn and other basic crops. Small and medium businesses producing for the domestic market went out of business. Thousands of workers, especially women, were pushed out of the formal job market into informal employment where they had no benefits and job security and there were no minimum wage requirements. As a result, immigration to the United States leapt to half a million men, women and children a year.

Not everyone lost out under NAFTA, however. The agreement was crafted with the direct participation of transnational corporations. Liberalization of trade and investment allowed them to map regional strategies to take maximum advantage of areas where natural resources, cheap labor, low regulation and operating costs, and government subsidies make production cheapest.

To give a single example: during the NAFTA period, the agribusiness firm Cargill's net income increased 660 percent—from $597 million in 1998-1999 to $3.95 billion by fiscal year 2007-2008. Concentration of wealth and increased inequality in Mexico have given that country the dubious distinction of having some of the wealthiest people on the planet.

This brand of efficiency has hidden and long-term costs: it moves people around on a grand scale, interrupting lives, livelihoods and cultures. It uses up natural resources and pollutes the planet without paying the real costs.

Even before the recent economic crisis, organizations in all three NAFTA nations called for renegotiating or rescinding the agreement.

The multiple crises—economic, finan cial, environmental, food—that struck hard by late 2008 have intensified those calls. We are at a defining moment in history. We can either deepen the NAFTA model by focusing on exports, outsourcing and capital mobility, or we can rethink this top-down integration model and begin to build a more equitable, regulated and bottom-up economic recovery that can be sustained over generations.

Each country in the NAFTA agreement has its particular interests to pursue. Canadian citizens, for example, object to clauses in NAFTA that require their country to sell oil to the United States even in times of scarcity and that protect corporations from being sued when they violate health, safety and environmental standards.

For Mexico, food and work have emerged as major issues. A broad popular movement has called for protecting basic food production. Key to this is removing corn and beans from the agreement altogether. Nongovernmental groups in Mexico are demanding that the government regain control to regulate the food system so both consumers and producers have access to decent work and sustenance. With 2 million displaced small farmers and thousands more on the verge of poverty, these needs are the most pressing and vital.

In the United States, jobs are paramount. The economic recession has brought high levels of unemployment, and many people associate job loss with NAFTA. Some of the Obama administration’s proposals for relieving the economic crisis have included government purchasing to support local businesses, subsidies and bailouts, support programs and state-sponsored job generation. Most of these tools are technically prohibited under NAFTA.

Can NAFTA be renegotiated?

By law, the answer is yes. The citizen movements and unions that demand renegotiation of NAFTA are not asking for an end to international trade. They ask that incentives to move production overseas be removed and that the sectors of the economy that are vital to vibrant local economies be given a chance to survive. Now with the economic crisis, citizens in all countries are more loudly demanding that governments adopt more local development and social programs currently prohibited under the competition and privatization terms of NAFTA.

Before we renegotiate, however, we need a better understanding of the effects of NAFTA. While there is a great deal of anecdotal evidence that the agreement has been detrimental, no comprehensive studies exist.

Senator Sherrod Brown (D., Ohio) and Representative Mike Michaud (D., Maine) have authored the Trade Reform, Accountability, Development and Employ ment (TRADE) Act and presented it to Congress. The TRADE Act calls for a NAFTA review and lays out fair trade principles for moving forward. It also calls for a study to consider trade figures, jobs and job loss, labor standards and conditions, consumer safety and environmental impacts. The act was reintroduced to Congress on June 24 and has 116 cosponsors.

Rethinking NAFTA should start with a real evaluation in all three countries. Not all the facts on the impact and consequences of the great experiment have been reported and analyzed. The review should be independent and include public consultations. It must have carefully defined criteria of evaluation, including social, economic, political and cultural indicators and a mechanism for receiving civil society analysis and presenting it as part of the process.

Meanwhile, we need a broad popular movement such as that already developing in Mexico. Mexican farmers' movements have held major demonstrations, several with over 100,000 people in the streets, calling for the removal of corn and beans from the agreement to enable the management of Mexico's most basic food supply. After the first march in January 2003, then-president Vicente Fox asked for a renegotiation, and the U.S. government said no. Fox immediately dropped the request. Current president Felipe Calderón, a strict neoliberal, opposes renegotiation. President Obama's oft-repeated line that "NAFTA helped Wall Street and hurt Main Street" suggests that he knows that the agreement is flawed because of its procorporate orientation and not just because it contains a few bad clauses or unforeseen consequences, but he has put the issue of renegotiation on a back burner.

Canadians, U.S. citizens and Mexi cans need public debates to determine their own priorities and national strategies to reform policies, relieve suffering and build alternative structures. It will be the confluence of these strategies from citizens of sovereign nations that enable us to join together and roll back the current NAFTA model.