NAFTA at Ten:

Journey to Mexico

Report of the U.S. Congressional Delegation
November 14-18, 2003

"Poor countries are like crabs in a bucket. Every time one country starts to climb up out of the bucket, another one pulls it back down."
Volkswagen worker in Puebla, Mexico

"We want good trade not free trade."
Senator Victor Suarez

"Before globalization, we need solidarity"
Jose Luis Rodriguez Salazar


Nuestro
Maíz
PODER

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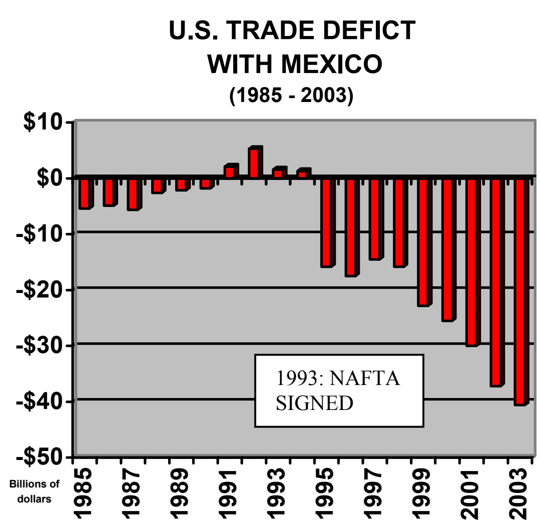

The U.S. trade deficit with Mexico – the gap between imports and exports – grows wider every year. If NAFTA were working, the U.S. would experience a trade surplus or balance. Each billion dollars of deficit equals 20,000 lost U.S. jobs. Since NAFTA's passage, the U.S. lost over 880,000 jobs to Mexico.

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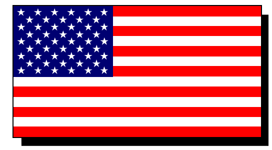

The Congressional Delegation is grateful to the International Brotherhood of Teamsters during its 100th anniversary year for helping tell America's story.

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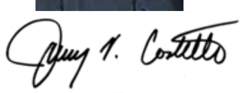
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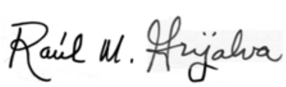
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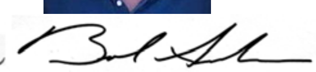
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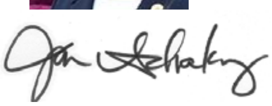
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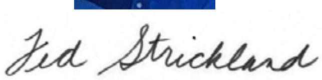
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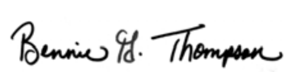

Rep. Thompson

<u>EXECUTIVE SUMMARY:</u>
NAFTA and The Future of Global Trade

The North American Free Trade Agreement (NAFTA) is now ten years old. At its heart, **it embodies the new heroic struggle of working men and women to gain a foothold in the rough and tumble global economy dominated by multinational corporate giants.** Unfortunately, it pits local workers and farmers against global investors. It pits Neustro Maiz, a peasant tortilla co-op in southern Mexico, against ADM, the US grain trade giant. It pits Norma McFadden of Sandusky, Ohio, who lost her middle class job with benefits at Dixon Ticonderoga, against Ana Luisa Cruz of Cuidad Juarez, who earns $7 a day with no benefits. **For NAFTA to be credible as a model for future trade agreements, it must be amended. People should be more important than goods. A human face to trade must be negotiated. Without it, the global divide between poverty and wealth will exacerbate. More popular unrest will result from unfair trade, and the social compact so necessary for global cooperation will be shattered.**

NAFTA is important because it serves as the major template for a new global economic order integrating rich and poor nations through trade and investment. Mexico, Canada and the U.S. were to integrate their economies and, as a result, be better positioned to compete globally. It was touted as the neo-liberal model that would lift the economic condition of all people. All ships, no matter how small, were to be brought forward. But NAFTA worked exactly in the reverse. Affected workers in all three nations saw their wages and working conditions lowered. As capital moved across borders with no social policies in place, NAFTA has triggered an international race to the bottom as even Mexico has lost 218,000 jobs to China, a lower wage environment with a notorious record of human rights abuses.

Capital and wealth have become more concentrated in all three nations. The middle class in the U.S. is experiencing a growing squeeze on benefits and job quality. In Mexico, an endless supply of "starvation wage" workers was unleashed. Now the Bush Administration is trying to spread the same model to Central America using Central American Free Trade Agreement (CAFTA), and throughout the rest of the Western Hemisphere with the Free Trade Area of the Americas (FTAA). If these agreements are passed, it is clear that only the same can be expected, that is, expanding job washout, underemployment, and trade deficits in the U.S. without improved living standards in the poor countries with whom it trades.

A reformed trade model among trading nations is needed that yields rising standards of living for workers and farmers. This must be based on transparent and enforceable rules of law concerning labor, environment and business. Continental sustainable wage and labor standards should be adopted. Trade accords must also incorporate industrial and agricultural adjustment provisions, and currency alignment. An infrastructure investment plan should be negotiated as a core provision of any trade agreement. Complementary systems for education and safe, reliable medical care for all citizens, including the over 9 million immigrants traveling as itinerant labor to the U.S. every year, must be addressed as central concerns of integrated economies.

RECOMMENDATIONS

Policy reforms are essential to amend NAFTA and other trade agreements that have yielded such huge U.S. trade deficits, job washout, and lowered standards of living.

• A CONTINENTAL ASSESSMENT OF NAFTA SHOULD BE LAUNCHED TO ADDRESS ITS SHORTCOMINGS.

An intracontinental parliamentary Working Group on Trade and Working Life in America, comprised of U.S., Mexican, and Canadian members, should be established with the goal of amending NAFTA to address its shortcomings. Such a working group should analyze the results of NAFTA and its impact on workers, farmers, and communities. The Working Group should define a **sustainable wage standard** for workers in each country and a continental labor registration system along with **enforceable labor and environmental standards**. It would identify the massive continental labor displacements that are occurring, often with no social safety net in place. It would explore options to deal with divergence in education and health as well as currency fluctuations and impact of trade on infrastructure, investment, and migration. It would harmonize inequitable tax systems and augment credit systems for the safe and non-usurious continental transfer of remittances by mobile workers. **It would also propose funds in the form of adjustment assistance to cushion continental economic integration. The organization would include as a key component an intracontinental Agricultural Working Committee to address the hardships faced by farmers and farm labor in all three countries.**

• TRADE AGREEMENTS SHOULD YIELD TRADE BALANCES.

If NAFTA were working in the interest of the U.S., there would be a trade surplus with Canada and Mexico, as the U.S. exported more than it imported. Exactly the reverse is true. <u>In 2003, the NAFTA trade gap equaled $100 billion</u> -- $42 billion with Mexico and $85 billion with Canada. This represents a serious drag on U.S. gross domestic product and a loss of wealth. Indeed the U.S.-NAFTA trade balance with low-wage Mexico as well as Canada has turned decidedly more negative, and worsened each year, contrary to NAFTA's stated aims. **When a trade agreement yields major and growing deficits for more than three years, it ought to be renegotiated.**

• DEVELOP AN ALTERNATIVE TRADE BLOCK PARADIGM.

Trade agreements must be structured to achieve rising standards of living for a broad middle class not just the capital class. The current NAFTA model fails to address the root causes of market dysfunction and growing U.S. trade deficits i.e., the managed market and regulated trade approaches being employed by its European and Asian competitors. With NAFTA, the U.S. chose a low wage strategy to meet this real competition from trading counterparts that were gaining global edge. The U.S. must counter the managed market and regulated trade approaches of its major competitors.

• HARMONIZE QUALITY OF LIFE UP, NOT DOWN.

Rather than allowing transnational companies to set the rules of engagement, democratic nations first should forge international trade agreements with the world's <u>developed democracies</u> and then invite in developing nations to participate in this "free world" Global Trade Organization. Such an effort holds the potential to transition these nations upward to the same democratic, legal, and environmental systems of the free world. Instead, the trade relationships that have been forged link the economic systems of first world democratic nations to Third World, undemocratic, non-transparent systems. Social concerns like education, environment, infrastructure, labor conditions, and health have been ignored. The downward "race to the bottom" push of NAFTA continues to be felt in the U.S. as well as Mexico and Canada.

• TRADE ACCORDS SHOULD PRODUCE LIVING WAGE JOBS, LESS POVERTY AND AN IMPROVED ENVIRONMENT.

If NAFTA were working, more good U.S. jobs would be created, outnumbering job losses. In Mexico, workers would experience a rising standard of living. Exactly the opposite is true. Conservative estimates indicate the U.S. has lost 880,000 jobs due to NAFTA. These jobs are largely in U.S. companies that merely relocate to Mexico paying "hunger wages." Wages in Mexico have been cut by a third**. If NAFTA were working in the interest of Mexicans, there would be a reduction in poverty, a growing middle class, and environmental improvement.** Instead there is a rollback in wages, deplorable working conditions, and growing economic concentration of wealth in a few hands, forcing huge social dislocation.

As U.S. jobs are sucked into Mexico, not only do more people vanish from the middle class but also U.S. schools lose property taxes. In a state like Ohio that has lost nearly 200,000 jobs to Mexico, the economic decline is visible. Ohio's income growth is declining. In 1999, according to Ohio Department of Development statistics, citizens in Ohio lost $30.7 billion in total income compared to the past year. The state itself lost $15 billion. As a result, college tuition has increased with average student undergraduate debt rising to record levels of $18,900. Nursing homes are understaffed with low paid workers, and the ranks of uninsured Ohioans has risen to 1.3 million. The State is raising taxes on everything from sales, to gas and to property to try to fill the gap of a fleeing private sector. Quality of life is sliding backwards. NAFTA-related environmental enforcement remains largely nonexistent. If NAFTA were working, environmental improvement in Mexico would be upgrading; it is sliding backward.

● TRANSITION U.S./CANADIAN DISPLACED WORKERS TO COMPARABLE EMPLOYMENT AND MEXICO'S WORKERS AND PEASANTS TO LAND HOLDING AND LIVING WAGE STANDARD.

NAFTA – displaced workers in the U.S. largely have been abandoned in their efforts to reposition to new employment. Unemployment benefits expire, training is inadequate, and health benefits expire or are unaffordable. Experienced workers rarely find jobs with comparable pay or benefits. Mexico's vast underclass, underpaid, and exploited, lacks a living wage, affordable elementary education, basic health care, and systems to gain property ownership and affordable credit even for basic purchases. In order to move forward with any future trade agreements, NAFTA must acknowledge its human toll and respond accordingly. NAFTA provisions have led to the displacement of thousands of small business, industrial and agricultural workers throughout the U.S., Mexico and Canada. Little provision has been made to assist these workers, farmers, and communities with any transitional adjustment assistance. In Mexico, this has caused masses of people to stream toward the border and the maquiladora zones in search for jobs.

The North American Development Bank, which was established to help local communities build their human and physical infrastructures, has been an abject failure. It should promote economic investment in those regions of Mexico and the United States where jobs have been hollowed out due to NAFTA, or infrastructure is needed. Bank assets could be enhanced by financial contributions that flow from trade-related transactions.

● CREATE NEW CONTINENTAL LAW ENFORCEMENT BODY TO COMBAT GROWING CRIME ALONG U.S.-MEXICO BORDER REGION RELATED TO BORDER WORKERS, DRUGS, AND UNSOLVED MURDERS OF HUNDREDS OF MEXICAN WOMEN.

The United States Departments of Labor and Homeland Security should be tasked not only with stopping the trafficking of bonded laborers but devising a continental labor identification card. Along with mass migration, the border has seen an explosion in the illicit drug trade. Law enforcement officers on both sides of the border must battle smuggling in narcotics and persons. A continental working group should be directed to recommend a new solution for combating crimes that result from the illegal drug and bonded worker trade that spans the border.

NAFTA AT TEN (1993-2003)

Forward

Congresswoman Marcy Kaptur

(Ohio – 9th District)

Cuidad Juarez, Mexico: Delegation meets with grandmother of a family that cannot afford to send its children to school. Their mother earns $38 per week in a maquiladora factory whose products are shipped to the U.S. "Maquila" plants pay no local taxes and do not support schools. Photo Source: IBT

Congress narrowly passed the North American Free Trade Agreement (NAFTA) in November 1993, after an emotional and protracted political struggle that engaged the entire nation. (Final Vote: 234-200 – Republican: 132 ayes; 43 noes. Democrats: 102 ayes; 156 noes. Independent: 1 no)

Wall Street confronted Main Street. The full weight of the legislative battle was best reflected in House deliberations (http://thomas.loc.gov**). Never had a trade fight garnered this type of attention from the general public. Multinational corporations, many displaying their products on the White House lawn and using offices in the U.S. Capitol itself, lobbied hard to change the laws and relationships that govern wages and working conditions for the majority of America's workers.**

The workers and people of U.S., Canada, and Mexico all would be affected in major ways. Their livelihoods, communities, and the standard of living on the continent were at stake. Congress became the only venue in which their concerns were given some voice.

The evaluation of America's ten-year experience with this agreement is crucial. In 2004, debates loom over expansion of NAFTA into other poor and middle-income countries in Latin America through the Central American Free Trade Agreement (CAFTA) and the Free Trade Area of the Americas (FTAA).

Is the "NAFTA trade model" worthy of expansion? Or does it need to be fixed?

NAFTA was a precedent-setting economic agreement. At the time of its passage **"free trade" was relatively a new concept**. It had been employed in rare circumstances, only recently in U.S. history, just since 1985, when the U.S. signed a "Free Trade" agreement with Israel to eliminate all duties on trade between the two countries over a six year period. Certain non-tariff barriers remained for agricultural products. But Israel was a small country with a middle class population of six million. Its integration with the U.S. market of over 250 million consumers at the time was accomplished with minimal disruption. Unfortunately, NAFTA's flawed, untested architecture has served as the "model" for successive trade agreements negotiated by the U.S. with developing nations which have huge impoverished populations, such as China. As a result, the U.S. has amassed trade deficits with most nations in the world and, a loss of U.S. jobs and growing stress on middle class living standards.

The NAFTA "agreement" should actually have been negotiated as a "treaty" due to its wide-ranging impact – socially, economically, environmentally, and politically. Yet, its **authors cagily used the legislative vehicle of an "agreement" to stifle debate** since Congress cannot amend trade agreements. A "treaty" would have allowed much closer scrutiny allowing time for amendment and full debate. A treaty would have been a more appropriate approach in view of the collateral damage NAFTA has caused especially to poor and working people across our continent. **NAFTA is very imperfect legal basis on which to forge the terms of engagement for the people of the American continent.**

Source: Border Witness: Youth Confront NAFTA (2001)

REFORMING THE TRADING BLOCK PARADIGM

One of NAFTA's central aims was to stimulate a North American trading bloc that could compete with anticipated competition from a unified European Union. As well, Japanese-Asian integration had been already eating into global market share the U.S. had dominated, particularly automotive production. **But rather than addressing root causes of market dysfunction and growing U.S. trade deficits – the managed market and regulated trade approaches being employed by European and Asian competitors to gain global edge – with NAFTA, the U.S. chose a low wage strategy. This has had real consequences. Mexico's workers have been dispossessed by a global economic system that preys on their weakness rather than securing for them the rights and opportunities won by first world workers over the last two centuries.** There has been no improvement in economic conditions for the vast majority of workers of Mexico since NAFTA. Moreover, U.S. workers continue to lose middle class jobs. A similar plight afflicts the European Union as it struggles to integrate the corruption-ridden, emerging states of the former Soviet Union. **In Asia, Japan – the second largest market in the world – remains a closed and a formidable economic powerhouse** having surpassed the U.S. in

Figure 2

Memorable Quotes from Mexico Delegation

► *An autoworker in Puebla, Mexico, who earns $25 per day, told us,* **"NAFTA make me feel like a crab in a bucket… every time I start to crawl up, someone else pulls me down."**

► *A peasant farmer who lives in poverty on less than $2 a day, as do two-thirds of Mexico's farmers,* **"The struggle against NAFTA is an endless struggle. There are many losses."**

► **"NAFTA has been exploitation and humiliation."**

► *A lay missionary doctor in Juarez's squalor settlements reported,* **"NAFTA has increased our poverty. It has lowered our moral standard by breaking up families."**

► *An unemployed female textile worker who labored for $38 per week said,* **"Low wages. Long work days. No overtime. Minimum wage of $4.53 per day. Women workers subjected to verbal abuse and sexual harassment. Underage workers. Neglect of the rural sector. Neighborhoods without sewers, no clean water. Sick children. Yes, jobs have been created, but under terrible conditions."**

► *Representative Victor Suarez of the Mexican Parliament summed it up:* **"We don't want NAFTA. We want good trade, not free trade."**

► *A farmer said:* **"Stop the war on the peasants and stop illegal labor trafficking. The countryside can't tolerate it anymore."**

1985 as the world's premier auto producer. Its protected internal market and bold manipulation of Chinese, Korean, and other Asian labor-intensive operations has allowed it to gain growing market strength. It secures its internal production, exploits cheap labor elsewhere, and exports those goods to first world markets or invests in them.

NAFTA aimed at continental "free trade", i.e., tariff elimination, between U.S., Mexico and Canada. Yet by the early 1990's, most tariffs already had been reduced between the three nations, with an effective overall tariff rate of about two percent. Indeed, NAFTA concerned something else. **Its unstated aim was to provide a government sanctioned insurance scheme for rising investments** by transnational corporations in low wage nations starting with Mexico, which was close to the U.S. market, and where subsistence labor was plentiful. NAFTA accelerated the shipping out of U.S. jobs. For unlike tiny Israel, the populations of Mexico and Canada totaled over 125 million persons. Mexico's largely poor population equals over 100 million and its workers fearful about organizing trade unions to gain living wages. The low wage pull was irresistible. By the early 1990's, the U.S. was already falling behind Europe and Asia as its global trade deficit in goods rose with each passing year. **With NAFTA's passage, the export of U.S. jobs to Mexico exploded.** Mexico started to import vast quantities of Chinese products that then backdoored their way into the U.S. The U.S. job market began to shift millions of jobs to third world environments as reflected in rising global trade deficits. Outsourcing of production and services, even of American icon products like Amana, Brach's, Hoover, and the PT Cruiser, became commonplace and accelerated. (See Appendix II for state-by-state listing of largest job losses.)

Figure 3

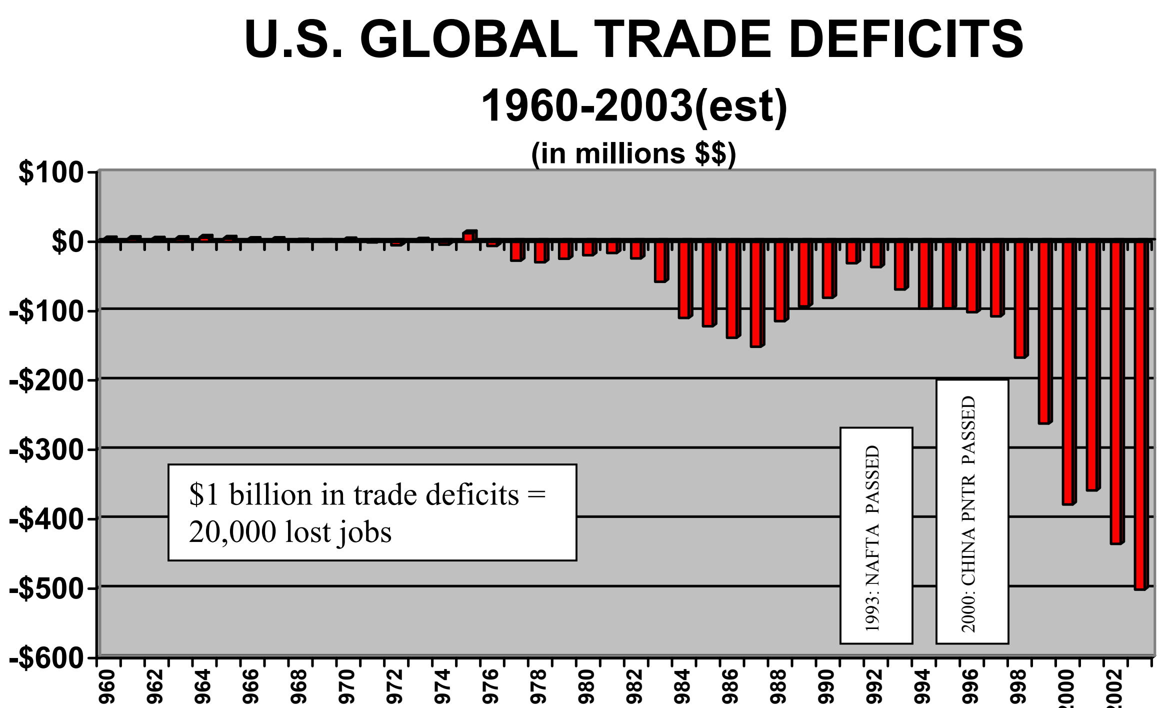


Figure 4

NAFTA and U.S. Labor History

The decision to pass NAFTA set in place a domino effect on working people that mirrored the course of the nation's tarnished labor history. Millions on the American continent would have their livelihoods disrupted totally. Sadly, the callous disregard for the plight of workers and small farmers has parallels in U.S. history. On its founding, when primarily an agricultural economy, the U.S. and it plantation system, depended on forced labor. A century later, during industrialization, U.S. business tapped vast reserves of the world's immigrants -- "teeming masses longing to be free." They toiled under miserable conditions until the National Labor Relations Act was passed in 1935. For the first time, U.S. workers earned a minimum wage, a forty-hour work week, were paid time and a half for overtime, with child labor prohibited. Workers earned the right to bargain collectively for the worth of their work. Post World War II, the next surplus labor pool resulted from Wall Street's successful drive to force millions of U.S. family farmers off their farms to labor the in the cities. But, by the last quarter of the 20th century, an insufficient number of workers existed to create a permanent class of unemployed to hold down the price of labor. The demographics of U.S. employment had evolved into on average two-worker families. This along with a majority of women having entered the labor force since World War II meant that a tightening labor supply confronted the purveyors of capital. Consequently, investors depended on millions of illegal immigrants entering the U.S. each year without guaranteed labor rights to bolster the labor supply. Finally, investors began to move capital to other nations where the supply of desperate workers seemed endless. The struggle for labor rights reverted to where it had been a century earlier, but now on a global scale. Nations with decent working conditions found their workers' livelihoods threatened. Developing nations with no labor rights became the locus for exploitation, benefiting investors, not workers.

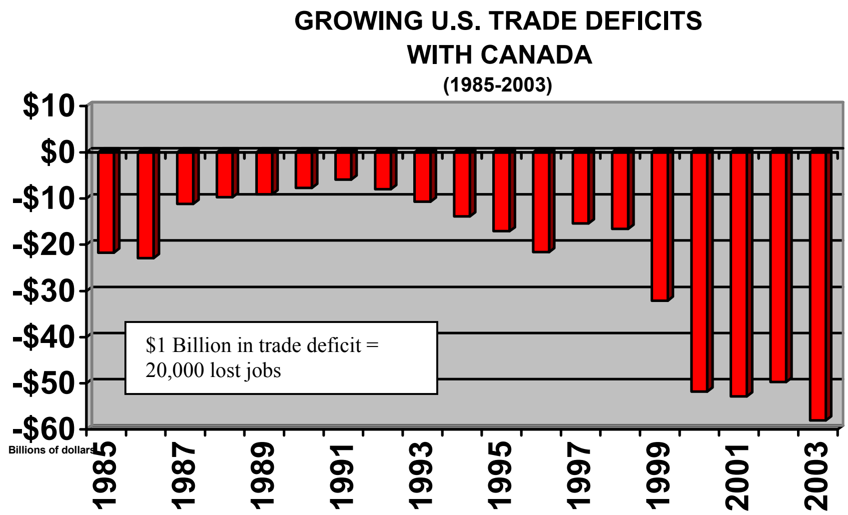
Suggested Reading: Mark Ritchie, President,
Institute for Agriculture and Trade Policy (www.iatp.org)

The U.S. "middle class" squeeze that had begun as a trickle would amplify in ensuing years as millions of living wage jobs vanished and real earning of workers declined. Though cast as a tariff reduction measure, NAFTA is primarily an "investment agreement." It insured global investors that had been leery of Mexico's corrupt business climate, but hungered to engage its cheap labor supply and geography as a backdoor to the U.S. market.

What would have been a wiser course?

Rather than allowing the transnational companies to hold sway, the U.S. first should have forged international trade rules of engagement with the world's developed democracies and then invited in developing nations to participate in this "free world" Global Trade Organization. Such an effort held the potential to transition

Figure 5



these nations upward to the same democratic, legal, and environmental systems of the free world. Instead, the trade relationships that were forged linked the economic systems of first world democratic nations to Third World, undemocratic, non-transparent systems. Social concerns like education, environmental, infrastructure, labor conditions, health, etc. were ignored.

The downward "race to the bottom" push of NAFTA continues to be felt in the U.S. as well as Mexico and Canada. Mexico's handful of cartelized, corrupt economic autocrats has become further empowered with staggering profits flowing from this agreement. But because Mexico does not have equitable tax or fair judicial systems, the wealth of the few has been enlarged at the cost of the many. The downdraft of Mexico's substandard of living has impacted the conditions of work in the U.S. and Canada, by downward pressure on wages and benefits. NAFTA has even lured the illicit drug trade to relocate north from Colombia to the U.S. Mexican border, centered in Ciudad Juarez, attracted to the teeming, lawless environment of squatter settlements serving the maquiladora factory zones. The number of desperate workers apprehended at the border, and those dying as they seek a better life, has risen markedly since NAFTA's passage.

UNDERSTANDING THE PESO COLLAPSE

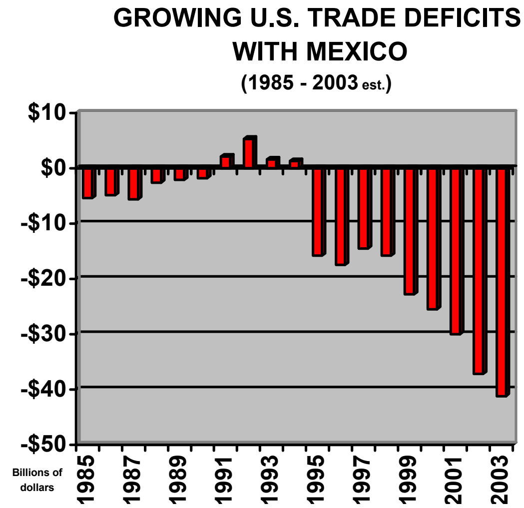


Figure 6

NAFTA's purpose as in insurance policy for transnational investing was clearly demonstrated when the peso collapsed in December 1994. Investor euphoria had bid up **Mexico's overheated stock market** causing it to crash due to NAFTA's inflated promises. **The U.S. government then bailed out major investors in an unprecedented action by the Clinton Administration without a vote of Congress.** The deal was brokered by Clinton's Secretary of the Treasury, Robert Rubin – formerly Chief Executive Officer of Goldman-Sachs Investment Banking Company in New York – known in financial circles as "Mexico's banker. Conveniently, then U.S. Ambassador to Mexico Jim Jones (former Congressman from Oklahoma) had just left his post as director of the American Stock Exchange in New York and ably assisted the Rubin transfer. Jones even lobbied his former colleagues in Congress with floor access afforded to him as a former Member. Now Governor Bill Richardson (D-NM) helped push NAFTA through the House in his former position as Congressman and deputy whip of his former caucus.

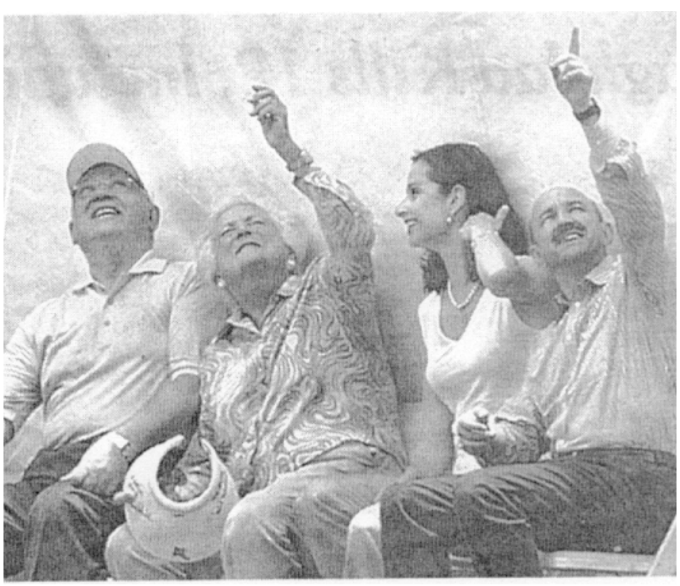
The 1993 signing of NAFTA by then conservatively oriented governments and their trade representatives from Mexico, U.S. and Canada. Standing: Mexican President Carlos Salinas, U.S. President George H.W. Bush, and Canadian Prime Minister Brian Mulroney.

Rubin moved $20 billion of taxpayer funds from the U.S. Treasury through the New York Federal Reserve to prop up hungry investors in Mexico, mainly U.S. companies, including his former employer. **Never before had the Economic Stabilization Fund of the U.S. Treasury been tapped for such a large transaction.** In fact, from 1980 through 1994 drawings from the fund totaled only $3 billion for Mexico, $2.1 billion for Brazil and $1.7 billion for Argentina. Despite a 245-183 vote in the U.S. House of Representatives, led by Rep. Bernie Sanders (I-VT), to block this approach, the U.S. Treasury Department proceeded since the Senate failed to act. The investment insurance scheme called NAFTA worked perfectly, albeit undemocratically. U.S. taxpayers bailed out investors. **By contrast, NAFTA-displaced workers in the U.S. do not receive this type of extraordinary response by their government. Indeed, they experience difficulty as their unemployment benefits expire, retraining fails to yield jobs of standing and health**

benefits lapse. Statistics reveal displaced workers rarely find jobs with comparable pay or benefits. Congress has resisted even tabulating NAFTA's lost jobs through the U.S. Department of Labor. Mexico's workers still of course have no living wage.

President George H.W. Bush at his 80th birthday party stunt in 2004. Source: New York Times June 14, 2004.

NAFTA's three principal negotiators, representing governments that were deemed "conservative," met an interesting fate – President George H. W. Bush was defeated in 1992 in his efforts to gain a second term due to a poor economy. Mexican President Carlos Salinas was extradited from his nation largely because of the NAFTA-induced economic collapse. In 1995, his brother Raul was arrested for the murder of a ruling party official and, in 1996, was accused of massive financial misappropriation. According to press reports, President Salinas departed the country in a private jet and may have gone into "gilded exile" in the U.S. on a tourist visa. About that time, he failed in his attempt to head the World Trade Organization as the Mexican economy fell into chaos. He became the most unpopular Mexican president in recent history. Interestingly, in 2004, the *New York Times* photographed ex-President Salinas at the Bush ranch in Texas during 80th birthday party



Former President Mikhail Gorbachev, Barbara Bush, Ana Paula Gerard Salinas, and former President Carlos Salinas at the 2004 birthday party for former President George H.W. Bush. Source: New York Times June 14, 2004

Canadian Prime Minister Brian Mulroney was appointed to the Board of Archer Daniel Midland and Company and paid handsomely in that position. That global grain trading company had pushed especially hard for NAFTA to expand its corn sales to Mexico. While ADM has succeeded in selling more corn to Mexico, **NAFTA has yielded millions of human tragedies in Mexico's countryside.** None is more poignant than the **displacement of vast numbers of Mexico's poorest subsistence farmers who have become exiles on their own continent,** shunned by both their government and the U.S. **Illegal immigration to the U.S. from Mexico has been exacerbated exponentially by NAFTA.** This exodus did not have to happen. Rural transition programs should have been included in the original NAFTA accord. The tarpaper shacks that evidence the raw poverty faced by this growing stream of landless peasants should shake the conscience of the American continent. Will it?

Displaced farmer from southern Mexico who lives in a squatter settlement with his wife and three children in Ciudad Juarez, just south of El Paso. Their one room hut is made of canvas, scraps of plastic, and mud floors. Like millions of now landless peasants, they have been lured to the border seeking work. But jobs are illusive. People lucky to find work cannot afford to buy what they make. Exports are sent to the U.S. Over 9 million of Mexico's desperate citizens, most forced off their little farms, travel illegally to the U.S. each year because Mexico's economy is faltering. Of late, over 250,000 jobs in Northern Mexico in the maquiladora zone of foreign factories have been shipped out to even lower-wage China. Since NAFTA's passage, Mexico's workers have seen their wages cut by at least a third and now earn an average of $1.00 an hour. Photo Source: IBT

Congresswoman Jan Schakowsky (IL-9) tours a typical worker's makeshift home. Photo source: IBT.

To evaluate NAFTA's impact at ten years, seven Members of Congress and representatives of the International Brotherhood of Teamsters traveled to Mexico in November of 2003. The delegation wishes to express sincere appreciation to President James Hoffa, without whose commitment, logistical and superb staff support this journey would not have been possible. Though the U.S. government refused to sponsor the journey, the Teamsters share a dedication to a just and more humane world. The delegation traveled to remote and sometimes dangerous locations most Members of Congress will never see. **The delegation is grateful to the International Brotherhood of Teamsters during its 100th anniversary year for helping tell America's story.**

The delegation spoke with workers, farmers, human rights advocates, elected officials, religious leaders, small business people, doctors, and university professors in the border region, the capital, and in the interior countryside. During the trip the delegation learned, contrary to the promises of the agreement's promoters, that NAFTA's ten year tenure shows not only damage to the U.S. economy, but to Mexico's as well. There, NAFTA has a record of continued underemployment, stagnating wages, slower growth, increased poverty and inequality, economic devastation, environmental deterioration, while locking in the drug cartel next to our border centered in Cuidad Juarez.

EVALUATING NAFTA: NET JOB LOSS AND GROWING TRADE DEFICIT

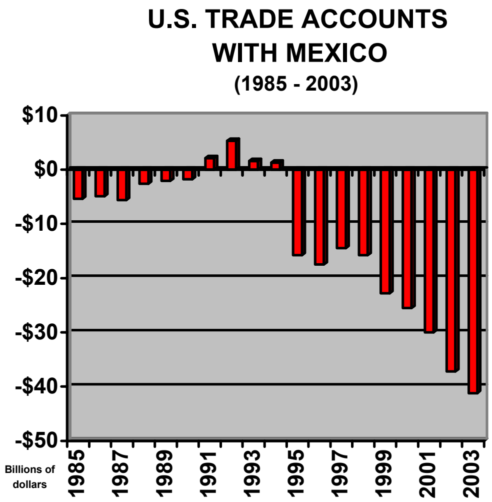
When the North American Free Trade Agreement (NAFTA) was being debated, citizens and policy makers were told by proponents that this new trade agreement would bring unprecedented prosperity to the U.S., Canada and Mexico. According to NAFTA's advocates, this increased prosperity would solve many of the social and economic ills facing North America.

Both the Bush I and Clinton Administrations pledged that NAFTA would boost the U.S., Canadian and Mexican economies. The agreement would "lock in" the U.S. trade surplus with Mexico, Clinton promised. It would expand trade gains to offer 200,000 new high-wage jobs in the United States, promising soon to "push employment related to exports to Mexico toward the 1 million mark." Advocates even threatened that without NAFTA the U.S. would *lose* 200,000 jobs.[1]

Figure 7

NAFTA's ten-year record has belied these promises for expanded prosperity in the U.S. The agreement instead has had a devastating effect on the economy. The 1993 U.S.-Mexico trade **surplus of $1.6 billion has ballooned into an estimated 2003 $40 billion**

[1] "The NAFTA – Expanding U.S. Exports, Jobs and Growth: Clinton Administration Statement on the North America Free Trade Agreement," July 1993, U.S. Government Printing Office, Washington, DC.



Each billion= 20,000 lost jobs

Figure 8

deficit.[2] **The Economic Policy Institute reports that 879,280 American jobs have been lost as a result of NAFTA**.[3] These figures represent real people like Norma McFadden, age 58, who was laid off in 2003 from Dixon Ticonderoga – Ohio's oldest manufacturing company that made school supplies -- in Sandusky when the plant was moved to Mexico.

As of January 2004, unemployment in the U.S. had surpassed six percent with nine million Americans out of work. In the manufacturing regions of the U.S., jobs hemorrhaged at a faster rate to Mexico and other low wage nations. The flawed NAFTA model has meant the loss of hundreds of thousands of good, high-paying American jobs. With a skyrocketing trade deficit, the Bush Administration seeks to expand this agreement in the form of CAFTA and the FTAA to all nations of the America, except Cuba. But growing U.S. trade deficits with Mexico and Canada mean more lost jobs. **The steady increase of these deficits also has meant U.S. workers' wages have not kept pace with productivity gains.** This is bad news for workers. Yet, it is welcome news to investors.

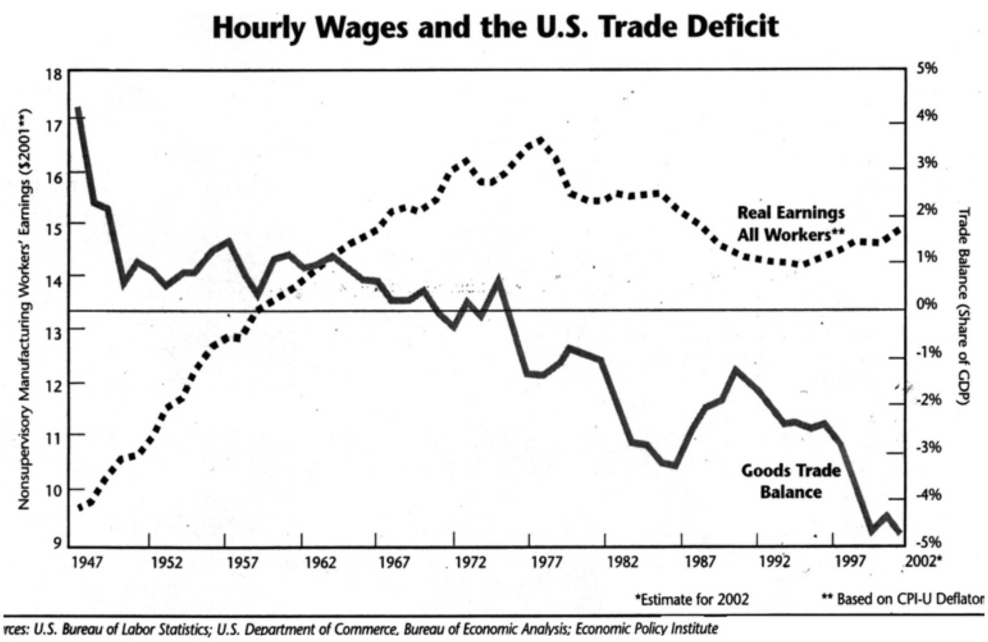


Figure 9

[2] U.S. Census data, January 2004.
[3] Scott, Robert, "The High Price of Free Trade," November 2003, Economic Policy Institute, Washington, DC.

Their lazy capital can be placed in low wage environments, and with the U.S. government as the insurance company, strike it rich with little risk.

NAFTA has clearly been a net failure for the U.S. though some companies have amassed huge profits rising from this trade asymmetry. But have U.S. trading partners fared better? Hasn't Mexico developed at the expense of the U.S.?

NAFTA also was sold as a development strategy for Mexico. The Clinton Administration reports promised it would improve growth, wages and employment opportunities, relieving poverty and inequality. Mexicans would no longer seek to cross the border illegally in search of work because they would have plenty of economic opportunity at home. Further, NAFTA was supposed to solve environmental problems in Mexico with resources derived from the vast new wealth created by expanded trade.

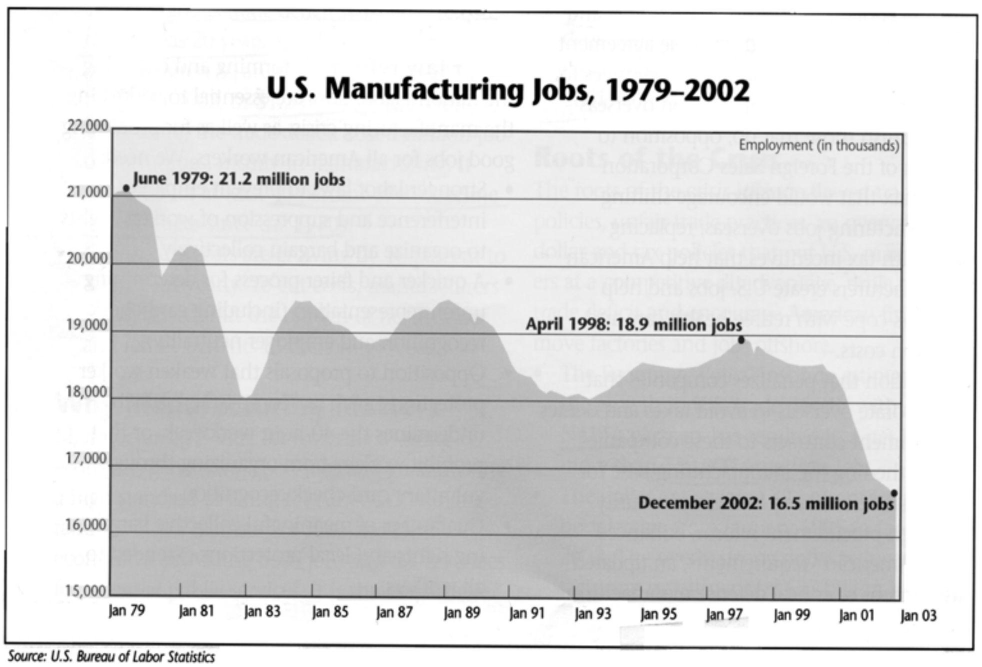
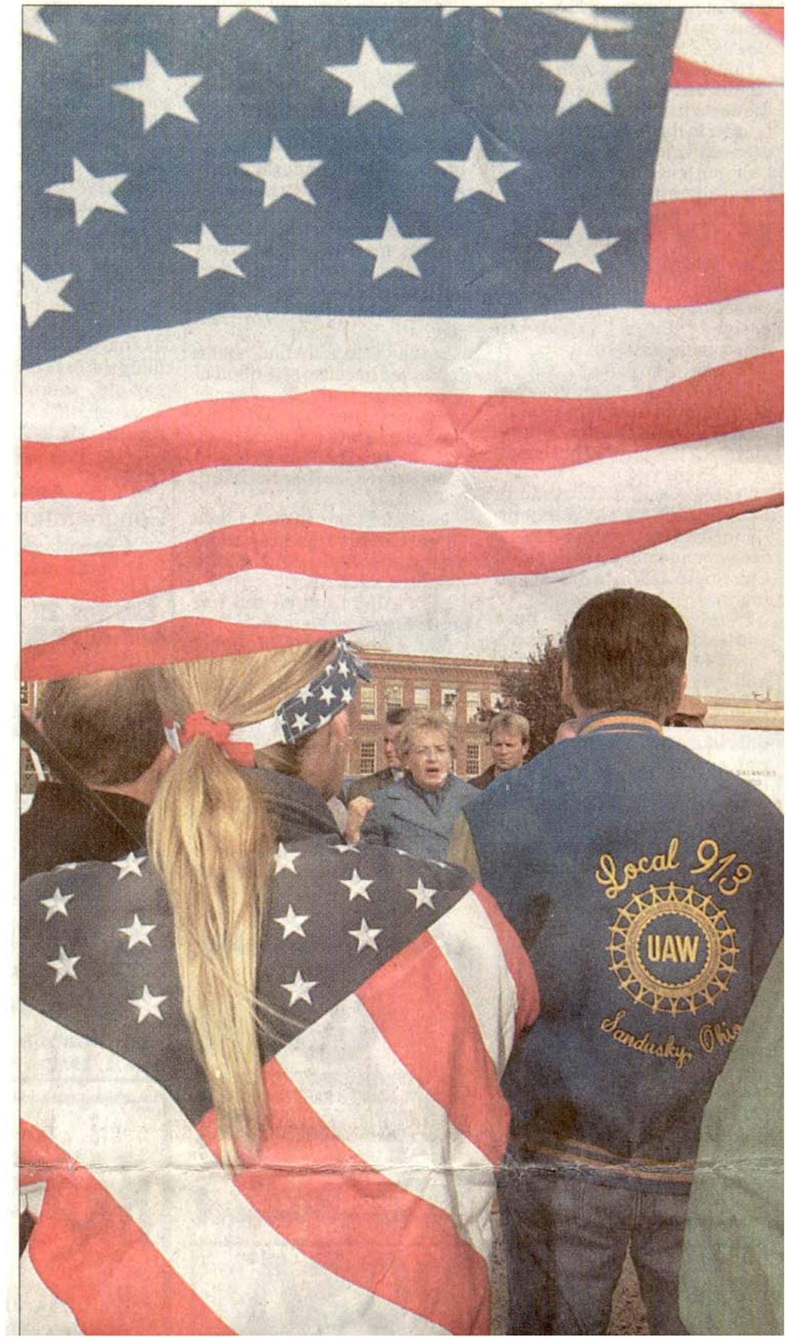


Figure 10



Workers terminated at Ohio's oldest manufacturing plant, Dixon Ticonderoga, rally to speak out against NAFTA in Sandusky, OH.

Billboard: El Paso, Texas.
Photo source: Rep. Marcy Kaptur.

OUR JOURNEY BEGINS

It is clear from the moment one crosses into Mexico through El Paso, Texas that NAFTA was indeed an "investment agreement." Airport billboards entice footloose companies across the border to our southern neighbor. But the promise of a golden future has not uplifted El Paso's economy. Though a key transit route to Mexico, according to conservative estimates, El Paso has lost over 16,676 jobs to Mexico. Serious crime and violence are on the rise on both sides of the border. Narcotrafficking is made easy by the endless flow of uninspected trucks from Mexico's factories that bring finished products to the U.S. Disruption in Mexico's countryside is vivid. ADM –brokered corn, favored by heavy U.S. farm-subsidies of nearly half its value, and has wiped out millions of poor peasants. They become a ready work force for global firms seeking large profits through low wages next-door to the U.S. consumer market. This is the modern version of "Grapes of Wrath."

CRISIS: U.S. – MEXICO BORDER

The fact-finding mission began in the border community that straddles El Paso, Texas and Ciudad Juarez, at the Northern edge of the Mexican state of Chihuahua. The delegation was hosted by local activists Victor Muñoz; Cynthia Bejerano, Professor of Criminal Justice at New Mexico State University; and Sister Susan Mika, Benedictine Ministries. At the border, the delegation focused on the impacts of the maquila sector. The maquilas, manufacturing plants for export products, expanded rapidly under NAFTA. The expansion had consequences for the environment, community and social structures, wages and worker rights in both the region and in the U.S. and Mexico as a whole. Maquila means "transforming from one product to another."

Figure 11

Companies Abandoning El Paso For Mexico Since 1994 (U.S. Jobs Lost)

Acme Boot Co. (155)
Action West (20)
ADA Garment Finishers (30)
ADEMCO Group (12)
Adrian Mnfg Inc (70)
All Technology (277)
Alcoa Fujikura (79)
Allied Signal (3)
Antex Corp (150)
ApparelMark (10)
Arris Corp (180)
Assembly Services (59)
Bakka Intl (35)
Becton Dickson (4)
Blue Cast Denim (24)
Border Apparel (136)
Boss Mnfg Co (15)
Breed Technologies (20)
Casolca (12)
Cowtown Boots (9)
Cutting Services (20)
Don Shapiro Ind (285)
E and A Tech (350)
Eagle Garment Finishing Inc (205)
Eureka Co. (37)
EverReady Battery (4)
Excel Garment Mnfg (90)
Fahnos Apparel (12)
Farah USA (375)
Fashion Enterprises (240)
Fluid Process Systems (5)
GCC Cutting (16)
General Assembly (8)
Gerhart Sales (26)
Gould Electronics (68)
<u>Hasbro Mnfg (1531)</u>
Hatch (4)
Heat Tech Inc (90)
Holiday Products (50)
Invensys Sensor Systems (7)
JC Viramontes (98)
Jamie Hardie Irrigation (160)
Jamesbury (16)
Johnson and Johnson Medical (112)
Justin Brands (10)
Krone, Inc. (31)
Lear Corp (12)
<u>Levi Straus (1794)</u>
Leviton Mnfg (522)
Lucchese (197)
McGill Electric Switch (70)
Mowad Apparel (150)
Pafer Huichita (22)
Prewash and Pressing (138)
Quickie Mnfg (297)
Robert Shaw Control Mnfg (170)
Sahara Sportswear (5)
Seton Co. (140)
Shaneco Mnfg Co. (100)
Siemens Energy and Automation (30)
Sierra Western International Apparel Inc. (50)
Southwestern Cutting Service (30)
Stitches (30)
Sun Apparel of TX (180)
Sun Belt Fixtures (40)
Therm O Disc (29)
TX MX Sportwear International Inc. (230)
Tyco Electronics (900)
<u>VF Jeanswear Limited Partnership (3959)</u>
Wells Lamont (45)
Westwood Lighting (30)
WTTC (40)

Source: U.S. Department of Labor

November 14, 2003 – Poverty in the *Colonias* - Anapra

Congressmen Bernie Sanders (VT) and Raul Grijalva (AZ-7th) survey the destitution of the residential communities. Photo source: IBT

The delegation's first stop was in Anapra, a poor squatting community of 40-50,000 people on the edge of Ciudad Juarez that has grown to quickly 2.3 million people. El Paso's population, just minutes away, is just **one-quarter that number**. This is one of dozens of '*colonia'* settlements that has sprouted up along the border with immigrants who come from the interior in search of work.

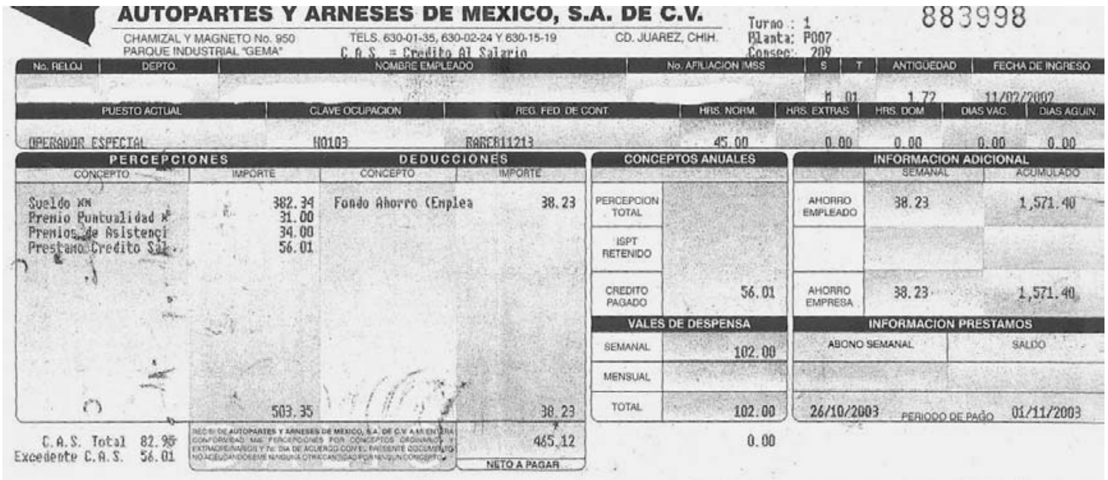
With the Mexican agricultural sector withering under NAFTA, thousands of farmers leave the countryside everyday in search of work. They flock to Mexican cities, the U.S. and the border region where the maquila sector is concentrated. Much of the more visible post-NAFTA impact on the Mexican economy has been at the border.

The group met with two neighboring families in Anapra who travel far to and from work each day. Plants are located a long way from these squatter settlements. Like most of the families in Anapra, families subsist on wages from usually one maquila worker. They live in squalor. Roads are unpaved and there is no garbage collection. Only recently did the community get very basic electricity.

The Cruz[*] family of six was the first to meet with the delegation. The mother and father, forty-five and forty-six, are unemployed. They live with their four children, ages four through 22, in a cinderblock hut they built themselves at a cost of around $1,000 with the help of a church group. Their oldest daughter, Ana Luisa, whose salary is $38 a week before standard deductions, supports the family. Ana Luisa gets up at 4:00 a.m. and catches a bus at 5:00 a.m. She works a nine-hour day, gets off work at 3:30 p.m., and arrives home between 5:00 p.m. and 6:00 p.m. Executives from the plants never come to see where the workers live.

[*] Names have been changed to protect privacy.

Figure 12



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PUESTO ACTUAL	CLAVE OCUPACION	REG. FED. DE CONT.	HRS. NORM.	HRS. EXTRAS	HRS. DOM	DIAS VAC.	DIAS AGUIN.
OPERADOR ESPECIAL	H0103	RARE811213	45.00	0.00	0.00	0.00	0.00

PERCEPCIONES CONCEPTO	IMPORTE	DEDUCCIONES CONCEPTO	IMPORTE
Sueldo XN	382.34	Fondo Ahorro (Emplea	38.23
Premio Puntualidad X	31.00		
Premios de Asistenci	34.00		
Prestamo Credito Sal	56.01		
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CONCEPTOS ANUALES	
PERCEPCION TOTAL	
ISPT RETENIDO	
CREDITO PAGADO	56.01
VALES DE DESPENSA	
SEMANAL	102.00
MENSUAL	
TOTAL	102.00
	0.00

INFORMACION ADICIONAL	SEMANAL	ACUMULADO
AHORRO EMPLEADO	38.23	1,571.40
AHORRO EMPRESA	38.23	1,571.40

INFORMACION PRESTAMOS ABONO SEMANAL	SALDO
26/10/2003 PERIODO DE PAGO	01/11/2003

Translation of Paycheck
Sueldo – Salary
Primo Puntualidad – On-Time Bonus
Premios de Asistenci – Attendance Bonus
Prestamo Credito Sal – Loan Credit

=$7.60/DAY
(9 hours work)

PAYCHECK OF TYPICAL MEXICAN FACTORY WORKER

At $7.60 a day, this salary is much higher than the local minimum of $4.10 a day, but less than half of the "sustainable living wage" of $16.60 a day for Ciudad Juarez. A living wage, according to Dr. Ruth Rosenbaum at the Center for Reflection, Education and Action, would allow workers to meet universal human needs such as basic needs (food, clothing, housing, energy, transportation, health care and education), participation in culturally required activities, (births, weddings, funerals), and save a small amount for emergencies and future needs.[4]

[4] Rosenbaum, Ruth, "Making the Invisible Visible: A Study of the Purchasing Power of Maquila Workers in Mexico: 2000" January 2001, Center for Reflection, Education and Action, Hartford, CT.

Congressman Raul Grijalva (AZ-7th) and Mrs. Cheryl Johnson, Director of Human Rights for the International Brotherhood of Teamsters, listen to Dr. San Juan Mendoza Muniz describe the lack of basic health services that confront the people of Anapra. Many patients are simply told to go home to die. Photo source: IBT.

Ana Luisa's wage is not enough to cover $60 per year school fees for the three younger children in the family, so they do not attend school. Even if they did have enough money, the mother reported, the community in which they live is far too dangerous for the kids to walk to school.

Ana Luisa lives in fear of a serial killer who has targeted women who work in the maquilas along the border. According to Professor Cynthia Bejarano from the Department of Criminal Justice at New Mexico State University, a leading advocate for victims of violence at the border, hundreds of women who come to the border to work in the maquilas are brutally tortured and murdered. Almost 370 women have been found raped and murdered in Ciudad Juarez since 1993, with hundreds more found dead and still more missing.[5] Since 1993, 4,633 persons have disappeared. Crime rates are high in Ciudad Juarez, and domestic violence is common. Murders are spreading to Chihuahua City. Fundamental social norms and institutions that might ordinarily prevent this sort of horror have been undermined in a community that has undergone rapid social and economic change, tearing the moral fabric as families and communities are split apart. **The drug trade has turned this border region into a killing zone. Less than one half of one percent of those charged is convicted.**

The neighboring family, the Rodriguez's, was more impoverished than the Cruz's. They live in a damp, one-room makeshift home made of canvas, with a mud floor and a tarp roof. Blankets on inside walls block the cold. There is no running water, plumbing or heat, and a flimsy wire provides electricity. The family collects rainwater from plastic sheets placed on the roof.

[5] Amigos de Las Mujeres de Juárez, http://www.amigosdemujeres.org.

The Rodriguez's have three children. Two of them are sick - an infant and a young girl. The infant has not been named and is three weeks old. Neither the parents nor the children are educated. They do not know their age. The family is supported by the father's inconsistent work as a gardener in a country club in Ciudad Juarez.

Their girls don't have access to health care, and they are not unique in this respect. The delegation visited a community healthcare center in Anapra to talk with a doctor about the health and welfare of the settlement communities. Dr. San Juan Mendoza Muniz, a living saint, confirmed what was obvious to any visitor to Anapra – good health is a luxury the impoverished people of this community cannot afford.

Medical clinic run by missionaries in Anapra.
Photo source: IBT.

Dr. Mendoza Muniz is a lay missionary who came to this Lutheran clinic four years ago to promote health education and disease prevention. This is the only clinic to serve this community. At $1.50 a visit, she and her six partners in the clinic charge less than a third what the state-run clinics charge. The doctor reports that there is a high incidence of diseases associated with poverty. People do not have enough to eat. Many eat pasta three times a day. Poor health is evidenced by malnutrition and diabetes because families are unable to afford fresh fruits and vegetables and other healthy foods; asthma due to dust and dirty air; lice and scabies resulting from the low access to clean water for bathing; dysentery from dirty water and poor food safety.

With China's recent entry into the global economy, Ciudad Juarez's economic prospects aren't looking good. After U.S. passage of Permanent Normal Trade Relations with China, and China's entry into the WTO soon thereafter, maquilas started leaving the **U.S. – Mexico border** in large numbers. **218,000 jobs have vanished since 2001**[6].

Ciudad Juarez is not the only community in Mexico enduring such poverty because of the lack of adjustment provisions in NAFTA. **Wages have stagnated since NAFTA took effect in 1993.** The minimum wage is set at $4 per day for a family of four, which is one-fourth of what a sustainable wage should be. Job growth has not kept pace with new workers entering the workforce. These factors, combined with the hardships that Mexican farmers have faced in competition with U.S. imports, have led **poverty rates across Mexico to increase over the last ten years.**[7] More than 50% of Mexicans live in poverty.[8]

[6] "As China Gallops, Mexico Sees Factory Jobs Slip Away," September 3, 2003, *The New York Times*.
[7] Audley, John, et al, "NAFTA's Promise and Reality: Lessons from Mexico for the Hemisphere," November 2003, Carnegie Endowment for International Peace, Washington, DC.
[8] "Trade Brings Riches, But Not to Mexico's Poor," March 22, 2003, *The Washington Post*.

November 14, 2003 – Workers Rights and The Center for Labor Education

One challenge facing the workers of Mexico is organizing to demand better wages, living and working conditions, and policies that promote growth to support working families. The delegation met with workers and the director of the Center for Labor Education (CETLAC) in Ciudad Juarez, Beatriz Lujan. CETLAC offers worker education classes on legal rights for maquila workers and information about organizing unions. They have established strong ties with local non-governmental organizations concerned with human rights, the environment, and women's issues.

Beatriz outlined the basics of what NAFTA has meant for the workers whom she sees everyday. According to Beatriz, Juarez maquilas employ 250,000 workers - the largest concentration of maquila workers in Mexico. **Most of the maquilas are U.S.-owned.** The factories draw large numbers of unemployed people from the interior; 40% of Juarez residents are from other states.

Beatriz says that the maquila workforce is mostly young and largely female. Their average age is just 21, and some workers start as young as 13. **Almost 60 percent of those employed by the maquilas are women**, although the female majority has been declining.

Congressional delegation learns most foreign plants in Mexico are U.S.-owned. They pay no local taxes. Photo source: IBT.

Only seventeen percent of maquila workers at the border are organized, she said. Corrupt official unions, endorsed by the government and the company, often represent them. The unions do nothing to support workers who are frequently subjected to unsafe conditions, are often denied protective equipment, and have supervisors who manipulate, intimidate, and humiliate workers.

November 14, 2003 – NAFTA and the Polluted Border Canal de Aguas Negras (the Sewage Canal)

Growth on the Mexican side of the border since NAFTA passed has been explosive. The number of maquilas almost doubled between 1990 and 1998 from 2100 plants to more than 4000. The population has doubled since 1980 and is projected to double again by 2020. **Scarce water, an upsurge in waste, and traffic congestion along the border are all consequences of this growth**.[9]

With protective masks on, the group climbed out of the van on the Rio Grande near the bridge border crossing. Putrid water flowed through an adjoining canal. Inadequate water and waste treatment has resulted in serious waterborne diseases such as Hepatitis A.[10] This city has grown enormously and quickly. But the resources to handle waste have not. Tax breaks to attract business mean that **maquilas pay no local taxes.** Some federal taxes are sent to Mexico City. They do not return.

The North American Development Bank, a NAFTA creation, has been nearly useless. It provides a trickle of money for infrastructural development of waste treatment and environmental cleanup. Red tape and matching fund requirements make this money difficult to access. O**nly $15 million of the promised $3 billion has been dispersed.**[11]

Miles of trucks await clearance on the Mexican side of the border with El Paso, Texas. This crossing has become they key portal for illegal entry of narcotics into the U.S. Less than two percent of vehicles are checked. Photo source: IBT.

The air is contaminated by growth, too. Thousands of people pass through border crossings. A visit to the commercial truck inspection station revealed long lines of idling cars and trucks. Customs agents report that 1,500 trucks pass through to El Paso each day. Common respiratory illnesses have been linked to the increased traffic and congestion. The Commission for Environmental Cooperation reports that more than **36,000 children in Ciudad Juarez were taken to the emergency room with breathing problems between 1997 and 2001**.[12]

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[9] "Protecting the Environment of the U.S.-Mexico Border Area: A Briefing Paper for the Incoming U.S. Administration," December 2000, U.S. Environmental Protection Agency, Washington, DC; "The Ten Year Track Record of the North American Free Trade Agreement: The Mexican Economy, Agriculture and Environment," 2003, Public Citizen, Washington, DC.

[10] "Protecting the Environment of the U.S.-Mexico Border Area: A Briefing Paper for the Incoming U.S. Administration," December 2000, U.S. Environmental Protection Agency, Washington, DC.

[11] "The Ten Year Track Record of the North American Free Trade Agreement: The Mexican Economy, Agriculture and Environment," 2003, Public Citizen, Washington, DC.

[12] "NAFTA pollution harming children, border study says; Increase in commercial truck traffic linked to illness in Mexican youngsters," November 11, 2003, *Globe and Mail*.

November 15, 2003 – Law Enforcement Concerns - El Paso

Community leaders, law enforcement officials, people of faith and local activists joined the delegation for breakfast and an interfaith service on departure from El Paso. Host and speaker, Sister Susan Mika, wished the group well on the visit to Mexico City. More importantly, she challenged everyone present not just to mourn the victims of violence, poverty and injustice whom they had encountered. She urged them to put an end to these tragedies.

Congressman Jerry Costello (IL-12th) (third from right) asks the Sheriff of El Paso about the changing nature of border crime related to drugs and lack of inspections at the El Paso crossing, and arrests in Cuidad Juarez. U.S. sheriffs' deputies do not travel to Juarez to apprehend criminals. Photo source: IBT.

The majority of illegal narcotics brought into the U.S. come through the El Paso crossing, yet only three x-ray machines are employed by the U.S. Customs and Border Patrol to check cargo. There are few inspectors doing anything other than checking paperwork.

Figure 13

U.S. – Mexico Border

(Figure 4 – Source: U.S. Department of Homeland Security)

Year	Apprehensions	Deaths
1992	1,149,574	n/a
1993	1,212,886	n/a
1994	979,371	n/a
1995	1,271,390	n/a
1996	1,507,020	n/a
1997	1,368,707	256
1998	1,516,680	286
1999	1,537,000	250
2000	1,643,679	383
2001	1,235,717	336
2002	929,809	320
2003	905,065	n/a

MEXICO CITY AND INTERIOR

November 15, 2003 – NAFTA and Development - Mexico City

Upon arriving in the capital, Mexico City, the group was joined by Bertha Lujan, comptroller for the city and a long time leader on trade policy. She and her colleague, Arturo Alcalde, spoke with the group over dinner about NAFTA as development policy from a macroeconomic perspective.

"We were told that the objective of NAFTA was to increase our exports to improve growth in the Mexican economy, provide jobs and raise standards of living," she said. "Well, foreign trade has grown almost threefold since NAFTA passed from $59 billion in exports before NAFTA passed to $160 billion today. And now Mexico enjoys a favorable trade balance with the U.S. of $41 billion. But the Mexican economy has not grown."

To improve the standard of living, workers need jobs and higher wages. According to Lujan, new jobs have been created since NAFTA, but not nearly enough to accommodate the growing workforce. Moreover, while jobs are created in the manufacturing-for-export sector, they are concentrated in a few areas and many more jobs are lost in traditional sectors. **The real value of wages has gone down by 30% since 1993, she reported, despite the fact that worker productivity has gone up by over 50%.**

Source:
Border Witness:
Youth Confront NAFTA (2001)

The increase in trade is doing very little to help the Mexican economy, she stressed, noting that less than 3% of the raw material used in manufacturing comes from Mexico.

Further, most of the biggest companies are foreign owned. There is no link between the export sector and small- and medium-sized businesses. **If all of the raw materials Mexico uses in manufacturing are imported and shipped out again, asks Lujan, then how will the money from the increase in trade spread throughout the economy?** If all of the profits are moved outside the country, how will Mexico invest in new technologies, worker training and other forward-thinking initiatives? "Our country has denationalized," said Lujan.

Foreign investors do not direct resources to the areas of the country and the economy that need capital, she reports. Of the millions of dollars of Foreign Direct Investment in Mexico, half of it has gone into manufacturing (largely at the border), 25% has gone into finance (largely in the capital) and only 10% has gone into agriculture. A development policy that relies on foreign investors, and NAFTA's prohibitions on directing that investment, has abandoned central Mexico and the South; it has abandoned farmers.

The inequality between the two countries is a major problem, she said. Agriculture and intellectual property, two areas where Mexico cannot compete with U.S. technology, should never have been included in NAFTA, according to Lujan.

Workers from Mexico describe their experiences in the maquiladora factories and the lack of enforcement of Mexico's labor laws. Photo source: IBT.

Mr. Alcalde expressed his disappointment with the agreement as well. As a labor lawyer, he had supported NAFTA and been involved in the writing of the agreement in the early nineties. At that time, he was very optimistic about the opportunity that NAFTA offered to raise labor standards in Mexico. He noted that the Mexican laws protecting workers' rights to organize were quite progressive – even more protective than labor law in the U.S. The problems in Mexico, he said, were that the laws were not enforced and 90% of Mexican union contracts were sweetheart deals, sanctioned by the government and employers. **NAFTA, he had hoped, would pressure the Mexican government to improve enforcement of their labor law. But, he said, after ten years, he had given up waiting.**

November 14 and 16, 2003 – Farmers and NAFTA:

"The Countryside Won't Take it Anymore!"

Congressman Ted Strickland (OH-6) and Mrs. Cheryl Johnson, Teamsters Human Rights Director, shuck corn in Tlaxacala. Photo source: IBT.

The delegation met with farmers at the border as well as deep in the interior of Mexico. On November 14, the group talked over lunch with Gabino Gomez Escarcega, director of rural development for the council of Chihuahua and a member of El Barzon, about the impact of NAFTA on farming in his home state of Chihuahua, which borders the U.S. On November 16, the delegation visited a small farming community in the interior with Victor Suarez Carrera, Member of the Mexican House of Representatives and advisor to the Asociacion Nacional de Empresas Comercializadoras de Productores del Campo – the National Association of Commercial Farm Producers (ANEC). **All of the farmers with whom the group met told the same story of massive unemployment, dislocated families and whole communities destroyed by foreign imports.**

Mr. Gomez Escarcega was one of thousands of campesinos who rode their horses 1,300 miles and for 55 days from their rural farms as far away as Juarez to the capital in Mexico City on December 10, 2002. A broad-based farmers movement, including many disparate groups representing small- and medium-size farmers in Mexico, rode together to protest an impending NAFTA tariff cut and the agreement's effects on their livelihoods and communities. They organized under a single banner - "*El Campo No Aguanta Mas*!" or "The Countryside Won't Take it Anymore!" With 25% of Mexico's population making a living on small farms, this is a formidable force.[13]

Mr. Escarcega declared that the movement to fight for the land in Mexico has grown in response to trade policy that ignores the needs of the farming community and the native

[13] Carlsen, Laura, "The Mexican Farmers' Movement: Exposing the Myths of Free Trade," March 2003, Interhemispheric Resource Center.

cultures tied to the production of corn. **Farmers in Mexico, he said, cannot compete with the subsidies and technology of its NAFTA trading partners.**

Congressmen Bernie Sanders (VT) and Bennie Thompson (MS) witness the plight of the Mexican farmers post-NAFTA. Photo source: IBT.

He said that there are 1.6 tractors per farmer in the U.S., while there are only 2 tractors for every 100 farmers in Mexico. Here, all the farming is done by hand. Tractors and other technology allow American farmers to produce 8.4 tons of corn per hectare of farmland, he said, while Mexicans can only produce an average 2.4 tons of corn per hectare. Subsidies on farm products were also cut drastically in Mexico in the years before NAFTA, he said. Government buying programs and credit systems had once assisted farmers in maintaining an income floor and making investments in their farms, but now those were eliminated. There is no system for water conservation. The U.S. agricultural budget is six times larger than Mexico's according to Gabino. Prior to NAFTA's passage, Mexico imported 8.8 million tons of grain per year; now it is 20 million tons.

Subsidies such as those in the $248 billion 2002 farm bill allow U.S. farmers to sell products on international markets below cost. The Institute for Agriculture and Trade Policy recently reported that in 2001, a bushel of corn that cost an average of $3.41 to produce was being sold on the international market for $2.28.[14] When Mexico opened its border to U.S. corn, it flooded in at prices that Mexican farmers simply could not match. There used to be two million head of cattle in Chihuahua before NAFTA. There are 500,000 now. Our animals are dying in the fields and four out of every ten kilos are imported.

Seventy-three percent of campesinos live in poverty on less than $2 a day, he said. Gabino told the delegation that 1.8 million farmers have left the land already to seek work in the cities, in the maquilas and across the border. **They are crossing the U.S. border in such huge numbers that, at $14 billion a year, remittances they send home have become the second largest source of income for Mexico after oil, he said.** He

[14] Carlsen, Laura, "The Mexican Farmers' Movement: Exposing the Myths of Free Trade," March 2003, Interhemispheric Resource Center.

estimated 300,000 new immigrants each year. These remittances are the only thing that keeps people left on the land alive.

Rep. Bennie Thompson (MS), Rep. Bernie Sanders (VT), Rep. Jerry Costello (IL), Cheryl Johnson (IBT), and Rep. Marcy Kaptur (OH) visit an agricultural cooperative making tortillas in Tlaxcala. Photo source: IBT.

He explained foreign commerce has grown three-fold since NAFTA passed – from $59 billion per year to $160.6 billion per year. Mexico has a $41 favorable trade balance with the U.S. The idea behind NAFTA was for Mexico to export and to increase the standard of living. But the Mexican economy has not grown. In fact, all the raw materials used are imported. Only 2.97% of materials are from Mexico.

Five of the largest industries are foreign-owned and account for 20% of exports. Most are U.S. companies and they had a negative impact on the Mexican economy. He observed, "Mexico has turned into something foreign." Eighty-seven percent of exports are manufactured goods and this has increased 40% since NAFTA. **In Mexico, jobs are being created in the export sectors but are declining in traditional sectors.**

Gabino favored a Mexican farmers movement that would push for a "Law of Food Sovereignty" in supply of food staples such as corn, beans, rice, and milk so Mexico could be independent in food production. He also wanted a larger national budget for agriculture that would support small farmers with improved water access and credit for technological improvements.

When Senator Victor Suarez Carrera met with the delegation two days later in Mexico City, he told the delegation "**Mexico wants good trade not free trade.**" He reiterated much of this in describing the experience of the farmers with whom he worked in the National Association of Commercial Farm Producers (ANEC). On the bus en route to Tlaxcala, a typical farming community two hours east of Mexico City, he stressed the problems of Mexico's corn producers, who had been growing corn for 8,000 years. Before NAFTA, Mexico imported only two million tons of corn per year, he said. Now they were importing six million tons of corn annually.

He also emphasized the growth of transnational agribusiness and the problem this posed for American farms as well. Indeed, **prices paid to U.S. farmers have fallen 40% since 1995-96 and more than 38,000 small farms in the U.S. collapsed, while Cargill and ADM have nearly doubled their profits over the last five years**.[15]

[15] "The Ten Year Track Record of the North American Free Trade Agreement: U.S., Mexican and Canadian Farmers and Agriculture," 2003, Public Citizen, Washington, DC.

Mexican Senator Victor Suarez and Rep. Marcy Kaptur and Rep. Ted Strickland, both of Ohio, hear proposals on how to eliminate predator check cashing of $14 billion remittances sent annually back to Mexico by Mexican workers in the U.S. Checking fees in Mexico charge over 20 percent per check. He requested help in establishing credit unions. Photo source: IBT.

In Tlaxcala, the delegation visited a small corn farm, where the group spoke with several farmers from the area. "Our crops have no value," they said. "It costs us 7,500 pesos to produce 3 tons of corn on one hectare. But we only get 1,200 pesos per ton. Corn from the U.S. sells for 850 pesos a ton. Corn, beans, wheat… no profit."

"Our children have left," said one farmer. "We are a group of old men. Youth aren't interested in the countryside. They left to find other opportunities in the U.S. or in Canada. **Now they are undocumented working for bosses who treat them poorly**."

The farmers told the delegation about the post-revolutionary land reform when *latifundias* (large plantations) were turned over to the poor people who worked the land. Under Article 27 of the Mexican Constitution, these people were given small plots of land or *ejidos*. Until recently, they were not allowed to buy or sell that land. But in the reforms to shift the Mexican economy into the NAFTA export-oriented model promoted by the World Bank, Article 27 was rewritten in 1992. This gave *ejiditarios* private property rights. "Many people around here have sold their land and gone to the U.S… [But] I am 74 and have been working in agriculture for 60 years. Corn is our culture, our roots. Where am I going to go?"

This group of farmers sustained itself through a tortilla cooperative, *Nuestro Maiz* or "Our Corn." Through the tortilla co-op they were better able to compete with Cargill

corn imports and with Maseca, the largest tortilla company in the country, largely owned by ADM. They produced and processed the corn to make tortillas that sold at 4 pesos per kilo, bringing in 1,650 pesos per ton of corn rather than 1,200.

November 15, 2003 – Cultural exchange – Mexico City

The group got a taste of Mexican culture over the afternoon and evening. Many toured the Palacio Nacional and saw the famous Diego Rivera mural depicting Mexican history from the pre-Columbian era to the present. From this painting, it was clear that agricultural way of life was a prominent feature of the Mexican cultural consciousness. The indigenous culture still alive in the countryside, and the land reform and workers rights gained with the Mexican Revolution, are depicted with great reverence.

The Ballet Folklorico at Bellas Artes, the national arts center, offered another colorful interpretation of Mexican culture and history. The dance performance demonstrated an array of traditions spanning several centuries and regions.

November 16, 2003 – Independent Unions – Puebla

Meeting with labor representatives at the Volkswagen plant in Puebla – the largest auto plant on the continent. Photo source: IBT.

Deeply concerned by reported labor rights abuses in Mexico, the delegation went to Puebla, two hours east of the capital, to meet with an independent union and with a group of organizing workers.

Jose Luis Rodriguez Salazar, General Secretary of the Independent Union of Volkswagen Workers, spoke with the delegation. The union is one of a small number of independent unions in the country (only about 10% of unions in Mexico are independent), and is an example of what well-enforced labor law respecting the right to organize can achieve.

Mr. Rodriguez Salazar told the delegation that the **Volkswagen plant is enormous, the largest in North America**, with 10,000 union autoworkers and 4,000 administrative employees. At **a typical wage of $26 a day**, these union workers are among the best-paid manufacturing workers in Mexico, he says. Their non-union counterparts at nearby suppliers make only $9-10 a day. Guillermo Hernandez, a worker from a plant that supplies parts to VW said, "It's just enough to exist and barely exist."

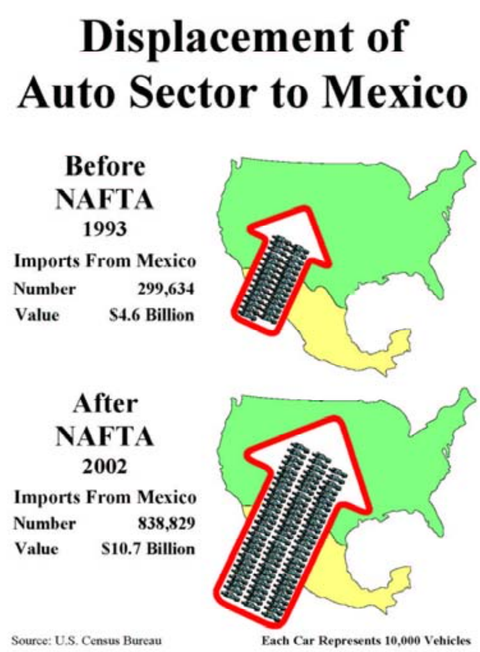

Figure 14

The general secretary told the group that the **majority of the cars produced** at the Puebla plant – Jettas and formerly the VW Bug – **are exported to the U.S.** There was once a VW plant in the U.S., but it closed in 1976.

The Puebla plant recently was facing a downsizing due to low sales during the recession in the U.S. The union was able to negotiate for a reduced workweek rather than layoffs.

The wages and working conditions at Volkswagen have improved since organizing, but now workers are worried about their jobs moving to China, where workers make even lower wages. One of the VW workers described this international race to the bottom: **"Poor countries are like crabs in a bucket. Every time one country starts to climb up out of the bucket, another comes along and pulls it back down."**

Mr. Rodriguez Salazar proposed a trinational meeting of workers to assess the impact of NAFTA on the workers in each of the pact's participating countries. "Before globalization, we need solidarity," he said.

The delegation with Volkswagen workers and trade representatives in Puebla, Mexico. This auto plant is the largest in North America. Photo source: IBT.

Workers at a Tarrant Apparel Group textile plant in Puebla are not as well off as those at the VW plant. The delegation had lunch with an organizer from the Workers Support Center (CAT), Blanca Velazquez, and several Tarrant workers. The Puebla Tarrant plant supplies jeans to U.S. companies such as Donna Karan, the Limited and Calvin Klein.

According to Velazquez, Tarrant workers make $9 a day. Often they are required to work overtime without extra pay; sometimes they work as many as 14 hours day. The workers are exposed to hazardous chemicals without sufficient protective equipment. They showed photos of their hands, dyed blue from the chemicals. Women workers complained of being sexually harassed.

Maribel Ramirez and several other workers had recently been fired for reasons they felt were linked to their efforts to organize an independent union. They have continued their efforts from outside the plant and they have since been threatened. "**Jeans sell in the U.S. for over $100 and we are paid pennies**," she said.

November 16, 2004 – Intraparliamentary Dialogue: Mexico City

At a dinner with Mexican Representative Eliana Garcia Laguna, the delegation discussed potential solutions to the problems that working families in both countries face.

Rep. Laguna acknowledged the despicable poverty and human rights abuses pervasive in Mexico. **"The human misery and living conditions are criminal."** She also stressed her concern for the 25 million Mexicans in the United States and the conditions under which many of them worked as illegal aliens.

Rep. Kaptur shared her idea for creating an **"Intracontinental Organization on Working Life and Cooperation in the Americas" to address NAFTA's impact on workers, farmers and communities. This organization would seek to establish a sustainable wage standard and continental labor registration system. It would also propose funds in the form of adjustment assistance to cushion continental economic integration. The organization would include as a key component a Continental Agricultural Working Committee to address the hardships faced by small farmers. Issues of concern also should encompass:**

- **enforceable labor and environmental standards**
- **assuring education, health, worker retraining**
- **harmonizing dissimilar tax and credit systems**
- **non-usurious transfers of remittances by mobile workers**
- **currency alignment**

Source:
Border Witness:
Youth Confront NAFTA (2001)

Appendix I

Excerpt from:

November 17, 2003 | EPI Briefing Paper #147

The high price of 'free' trade

NAFTA's failure has cost the United States jobs across the nation

By Robert E. Scott

Since the North American Free Trade Agreement (NAFTA) was signed in 1993, the rise in the U.S. trade deficit with Canada and Mexico through 2002 has caused the displacement of production that supported 879,280 U.S. jobs. Most of those lost jobs were high-wage positions in manufacturing industries. The loss of these jobs is just the most visible tip of NAFTA's impact on the U.S. economy. In fact, NAFTA has also contributed to rising income inequality, suppressed real wages for production workers, weakened workers' collective bargaining powers and ability to organize unions, and reduced fringe benefits.

NAFTA is a free trade and investment agreement that provided investors with a unique set of guarantees designed to stimulate foreign direct investment and the movement of factories within the hemisphere, especially from the United States to Canada and Mexico. Furthermore, no protections were contained in the core of the agreement to maintain labor or environmental standards. As a result, NAFTA tilted the economic playing field in favor of investors, and against workers and the environment, resulting in a hemispheric "race to the bottom" in wages and environmental quality.

False promises

Proponents of new trade agreements that build on NAFTA, such as the proposed Free Trade Agreement of the Americas (FTAA), have frequently claimed that such deals create jobs and raise incomes in the United States. When the Senate recently approved President Bush's request for fast-track trade negotiating authority[1] for an FTAA, Bush called the bill's passage a "historic moment" that would lead to the creation of more jobs and more sales of U.S. products abroad. Two weeks later at his economic forum in Texas, the president argued, "[i]t is essential that we move aggressively [to negotiate new trade pacts], because trade means jobs. More trade means higher incomes for American workers."

The problem with these statements is that they misrepresent the real effects of trade on the U.S. economy: trade both creates and destroys jobs. Increases in U.S. exports tend to create jobs in this country, but increases in imports tend to reduce jobs because the imports displace goods that otherwise would have been made in the United States by domestic workers.

President Bush's statements—and similar remarks from others in his administration and from members of both major parties in Congress—are based only on the positive effects of exports, ignoring the negative effects of imports. Such arguments are an attempt to hide the costs of new trade deals, in order to boost the reported benefits. These are effectively the same tactics that led to the bankruptcies of Enron, WorldCom, and several other major corporations.

The impact on employment of any change in trade is determined by its effect on the trade balance, the difference between exports and imports. Ignoring imports and counting only exports is like balancing a checkbook by counting only deposits but not withdrawals. The many officials, policy analysts, and business leaders who ignore the negative effects of imports and talk only about the benefits of exports are engaging in false accounting. NAFTA supporters frequently tout the benefits of exports while remaining silent on the effects of rapid import growth (Scott 2000). Former President George H.W. Bush, whose administration negotiated NAFTA, recently claimed that "two million NAFTA-related jobs have been created in the United States since 1993" (Bush 2002). But any evaluation of the impact of trade on the domestic economy must include the impact of *both* imports and exports. If the United States exports 1,000 cars to Mexico, many American workers are employed in their production. If, however, the United States imports 1,000 cars from Mexico rather than building them domestically, then a similar number of Americans who would have otherwise been employed in the auto industry will have to find other work.

Another critically important promise made by the promoters of NAFTA was that the United States would benefit because of increased exports to a large and growing consumer market in Mexico. This market, in turn, was to be based on an expansion of the middle class that, it was claimed, would grow rapidly due to the wealth created in Mexico by NAFTA. Thus, most U.S. exports were predicted to be consumer products destined for consumption in Mexico.

In fact, most U.S. exports to Mexico are parts and components that are shipped to Mexico and assembled into final products that are then returned to the United States. The number of products that Mexico assembles and exports—such as refrigerators, TVs, automobiles, and computers—has mushroomed under the NAFTA agreement. Many of these products are produced in the Maquiladora export processing zones in Mexico, where parts enter duty free and are re-exported to the United States in assembled products, with duties paid only on the value added in Mexico. The share of total U.S. exports to Mexico that is represented by Maquiladora imports has risen from 39% of U.S. exports in 1993 to 61% in 2002.[2] The number of such plants increased from 2,114 in 1993 to 3,251 in 2002 (INEGI 2003a, 2003b).

Growing trade deficits and job losses

NAFTA's impact in the United States, however, has been often obscured by the "boom-and-bust" cycle that drove domestic consumption, investment, and speculation in the mid- and late 1990s. Between 1994 (when NAFTA was implemented) and 2000, total employment rose rapidly in the United States, causing overall unemployment to fall to record low levels. But unemployment began to rise early in 2001, and 2.4 million jobs were lost in the domestic economy between March 2001 and October 2003 (BLS 2003). These job losses have been primarily concentrated in the manufacturing sector, which has experienced a total decline of 2.4 million jobs since March 2001. As job growth has dried up in the economy, the underlying problems caused by U.S. trade deficits have become much more apparent, especially in manufacturing.

The United States has experienced steadily growing global trade deficits for nearly three decades, and these deficits accelerated rapidly after NAFTA took effect on January 1, 1994. For the purposes of this report it is necessary to distinguish between exports produced domestically and foreign exports, which are goods produced in other countries but exported to the United States, and then re-exported from the United States. Foreign exports made up 11.6% of total U.S. exports to Mexico and Canada in 2002. However, because only domestically produced exports generate jobs in the United States, our trade calculations are based only on domestic exports. Our measure of the net impact of trade, which is used here to calculate the employment content of trade, is the difference between domestic exports and total imports.[3] We refer to this as "net exports," to distinguish it from the more commonly reported gross trade balance. However, both concepts are measures of net trade flows.

[Please see following page for EPI chart.]

TABLE 2
NAFTA job creation and destruction by state, 1993-2002

	Changes due to growth in:		
	Exports (jobs gained)	Imports (jobs destroyed)	Net exports (net jobs gained or lost)
Alabama	13,999	-29,068	-15,070
Alaska	793	-1,512	-719
Arizona	9,596	-21,752	-12,157
Arkansas	6,638	-14,520	-7,882
California	89,282	-205,004	-115,723
Colorado	9,354	-19,684	-10,330
Connecticut	11,478	-24,198	-12,720
Delaware	2,059	-3,814	-1,756
District of Columbia	579	-1,233	-654
Florida	28,586	-64,097	-35,511
Georgia	22,413	-44,612	-22,200
Hawaii	1,844	-3,772	-1,928
Idaho	3,126	-6,395	-3,269
Illinois	42,018	-86,343	-44,325
Indiana	33,176	-68,008	-34,832
Iowa	9,398	-18,222	-8,825
Kansas	6,666	-13,574	-6,908
Kentucky	11,498	-22,798	-11,300
Louisiana	6,831	-13,195	-6,364
Maine	2,578	-5,293	-2,716
Maryland	10,230	-21,288	-11,058
Massachusetts	20,719	-44,042	-23,323
Michigan	45,945	-97,411	-51,466
Minnesota	15,126	-30,950	-15,825
Mississippi	6,974	-15,643	-8,670
Missouri	14,236	-28,913	-14,677
Montana	2,208	-4,125	-1,918
Nebraska	4,772	-8,713	-3,941
Nevada	4,213	-8,726	-4,513
New Hampshire	4,606	-10,563	-5,957
New Jersey	21,038	-46,082	-25,044
New Mexico	4,737	-9,310	-4,573
New York	46,182	-102,975	-56,793
North Carolina	26,456	-59,041	-32,585
North Dakota	1,480	-2,570	-1,090
Ohio	47,289	-93,882	-46,593
Oklahoma	9,101	-17,577	-8,476
Oregon	8,295	-18,015	-9,720
Pennsylvania	34,838	-73,163	-38,325
Rhode Island	6,971	-13,954	-6,983
South Carolina	15,554	-28,167	-12,613
South Dakota	3,278	-6,238	-2,961
Tennessee	15,969	-35,996	-20,028
Texas	48,399	-98,669	-50,270
Utah	6,246	-12,892	-6,646
Vermont	1,980	-4,295	-2,315
Virginia	14,924	-31,939	-17,016
Washington	12,145	-25,790	-13,645
West Virginia	4,030	-7,512	-3,482
Wisconsin	23,368	-46,395	-23,028
Wyoming	956	-1,519	-562
Total U.S.	**794,174**	**-1,673,453**	**-879,280**

Source: EPI analysis of Bureau of Labor Statistics and Census Bureau data.

Appendix II

Examples of State-By-State

Shifts of Production to Mexico

(Source: Department of Labor)

The following statistics are derived from the voluntary filings of employee and businesses who were successful applicants for Trade Adjustment Assistance (TAA). The numbers do not reflect the tens of thousands of workers who are unaware of the assistance programs or unable to file due to cost or other factors. Moreover, the United States Department of Labor ceased reporting the TAA filings before NAFTA's ten-year anniversary.

Alabama: 13,237

Largest Losses:

1. Russell Corporation (Alexander, Slocomb, Sylcaugua, Wetumpka, Columbia, Greenville, Dadeville, Alexander City, Brundidge, Geneva, Lafayette) – 2,479
2. Lexington Fabric (Hamilton, Florence, Geraldine) – 2,461
3. Vanity Fair Intimates (Jackson, Monroeville, Atmore) – 2,280
4. VF Jeanswear Limited Partnership (Oneota, Hanceville, Red Bay, Hackleburg, Florence, Russellville, Irvington, Holly Pond) – 2,261
5. Allied Signal, Inc. (Greenville) – 525

Arizona: 3,818

Largest Losses:

1. Motorola (Phoenix) – 1,400
2. McCullough Corp (Lake Havasu City, Tucson) – 763
3. Weiser Lock (Tucson) – 525
4. Adflex (Chandler) – 242
5. Leoni Wiring Systems (Tucson) – 150

Arkansas: 4,553

Largest Losses:

1. Fruit of the Loom (Osceola) – 900
2. Aalfs (Mena, Arkadelphia, Malvern, Glenwood, Texarkana) – 890

California: 22,262:

Largest Losses:

1. Medtronic (Anaheim) – 1,200
2. Kwikset (Anaheim) – 885
3. Price Pfister (Pacoima) – 711
4. Sola potical USA (Pealuma) – 700
5. The Toro Company (Riverside) – 600

Colorado: 2,255

Largest Losses:

1. Celestica (Westminster) – 514
2. SMTC Manufacturing (Thornton) – 420

Connecticut: 2,066

Largest Losses:

1. Anchor Glass Container (Dayville) – 400
2. The Stanley Works (New Britain) – 400

Florida: 7,229
Largest Losses:
1. Motorola, Inc. (Boynton Beach, Plantation) – 1899
2. Westinghouse Electric (Pensacola) – 695

Georgia: 12,879
Largest Losses:
1. Solectron Corporation (Suwanee) – 1,235
2. Scientific Atlanta (Norcross) – 990
3. Oxford (Atlanta, Alma, Dawson, Lincolnton, Monroe, Vidalia) – 891
4. Ithaca (Cairo, Vidalia, Gelnnville) – 636
5. Sara Lee (Midway, Eatonton) – 478

Idaho: 787
Largest Losses:
1. Jabil Circuit (Meridian) – 668
2. Motion Controls Industries (Nampa) – 71

Illinois: 7,897
Largest Losses:
1. Trailmobile LLC (Charleston) – 843
2. Komatsu Mining System (Peoria) 506
3. Flextronics Enclosure Systems (Elk Grove Village) – 461
4. Eureka company (Bloomington) – 410
5. Motorola (Schaumberg, Elk Grove Village) – 338

Indiana: 9,477
Largest Losses:
1. General Electric (Ft. Wayne, Tell City, Bloomington) 1,653
2. Borg Warner Automotive Diversified Transmissions (Muncie) – 1,000

Iowa: 1,153
Largest Losses:
1. The Gillette Company (Iowa City) – 253
2. Siemens Energy and Automation (Osceola) – 201

Kansas: 834
Largest Losses:
1. Dazey Corporation (Osage City) – 300
2. Emerson Electric Company (Independence, Wichita) – 185

Kentucky: 8,096
Largest Losses:
1. Mattel (Murray) – 1,200
2. Levi Straus (Florence, Hebron) – 1,017

Louisiana: 3,035
Largest Losses:
1. Martin Mills (St. Martinville) – 1,020
2. Avaya (Shreveport) – 984

Maine: 823
Largest Losses:
1. Tyco Electronics (Sanford) – 308
2. International Paper (Milford, Passadumkeag) – 210

Maryland: 593
Largest Losses:
1. Eaton Corporation (Salisbury) – 280
2. Black and Decker (Easton) – 227

Massachusetts: 3,980
Largest Losses:
1. Power One (Allston, Boston) – 650
2. Commemorative Brands (North Attleboro) – 550

Michigan: 8,303
Largest Losses:
1. Mexican Industries (Detroit, Dearborn) – 850
2. Newell Window Furnishings (Sturgis) – 450

Minnesota: 4,415
Largest Losses:
1. Schott Corporation (Marshall, Minneota, Canby) – 505
2. IMI Cornelius (Anoka) – 500

Mississippi: 1,748
Largest Losses:
1. Emerson (Oxford) – 660
2. VF Imagewear West (Columbus, Mathiston) – 390
3. Levi Strauss (Canton) – 321
4. The Raleigh Company (Raleigh) – 169
5. Johnson Electronic Automotive Inc. (Columbus) – 111

Missouri: 5,782
Largest Losses:
1. Huffy Bicycles (Farmington) – 736
2. Tri-Con (Cape Girardeau, Columbia) – 570

Montana: 105
Largest Losses:
1. Dana Design Limited (Bozeman, Livingston, Lewistown, Belgrade) – 105

Nebraska: 413
Largest Losses:
1. Asarco (Omaha) – 224
2. Dana Corporation (Hastings) – 148

Nevada: 407
Largest Losses:
1. Levis Straus (Henderson) – 266
2. General Building (Sparks) – 96

New Hampshire: 334
Largest Losses:
1. General Electric (Somersworth) – 177
2. Nashua Corporation (Exeter) – 110

New Jersey: 5,009
Largest Losses:
1. Flowserve (Phillipsburg) – 557
2. Wallace and Tiernan, Inc. (Belleville) – 550

New Mexico: 1,294
Largest Losses:
1. Levi Strauss (Roswell, Albuquerque) – 1172
2. Chase Ergonomic (Albuquerque) – 67

New York: 10,829
Largest Losses:
1. TRW (Yaphank, Union Springs, Auburn) – 1,321
2. Mallinckrodt Medical, Inc. (Argyle) – 950
3. Smith Corona Corporation (Cortland) – 874
4. Kodak polychrome Graphics (Binghamton) – 674
5. Bausch and Lomb (Rochester) – 454

North Carolina: 26,444

Largest Losses:

1. Burlington Industries (Mooresville, Forest City, Reaford, Oxford, Greensboro) – 2,022
2. Household Products (Asheboro) – 1,200
3. Hamilton Beach/Proctor Silex (Washington, Mount Airy) – 1,045
4. Eaton Corporation (Arden, Laurinburg) – 1,004
5. Champion Products (Clayton, Dunn) – 916

Ohio: 9,486

Largest Losses:

1. Marconi (Lorain) – 1,815
2. L.G. Philips Display (Ottawa) – 1,163
3. United Technologies Automotive (Zanesville)
4. TRW, Inc. (Cleveland) – 457
5. Square D (Middletown) – 445

Oklahoma: 4,134

Largest Losses:

1. Lucent Technologies (Oklahoma City) – 2,649
2. Gulfstream Aerospace Technologies (Oklahoma City) – 400

Oregon: 2,931

Largest Losses:

1. Freightliner LLC (Portland) – 770
2. Tyco (Beaverton, Portland) – 415

Pennsylvania: 14,417

Largest Losses:

1. General Electric (Erie, Malvern) – 1,723
2. C-Cor.Net (State College, Tipton) – 960
3. FCI, USA (Emigsville, Mt. Union) – 880
4. Seton Company (Saxton) – 820
5. AMP, Inc. (Middletown) – 576

South Carolina: 7,304

Largest Losses:

1. Kemet Electronics (Simpsonville, Fountain Inn, Greenwood, Mauldin) – 881
2. House of Perfection (Williston, West Columbia, Manning, Sumter) – 660

South Dakota: 1,132

Largest Losses:

1. Midcom, Inc. (Aberdeen, Huron, Watertown) – 502
2. Vishay Dale Electronics (Yanktown) – 236

Tennessee: 11, 073
Largest Losses:
1. Levi Strauss (Johnson City, Centerville, Knoxville, Mountain City, Powell) – 1,521
2. VF Imagewear (Harriman, Sparta, Wartburg, Mt. Pleasant, Jackson, Erwin, Dickson) – 1,108
3. Sunbeam Corporation (Cookeville, McMinnville) – 630
4. UAR Carbon (Columbia, Clarksville) – 450
5. Osh Kosh B'Gosh (Jamestown, Byrdstown) – 441

Texas: 29,661
Largest Losses:
1. Levi Strauss (El Paso, Dallas, Wichita Falls, McAllen, Amarillo, Brownsville, Harlingen, San Angelo, San Antonio, San Benito, Richardson, Westlake) – 5,216
2. VF Imagewear/ Jeanswear (Clarksville, Brownsville, Fabens, El Paso) – 4,059
3. Tyco Electronics (El Paso) – 1814
4. Hasbro Manufacturing (El Paso) – 1531
5. Lightening Metals (New Braunfels) – 958

Utah: 2,489
Largest Losses:
1. Autoliv ASP (Ogden) – 1,72
2. Bourns (Ogden, Logan) – 278

Vermont: 386
Largest Losses:
1. Johnson Controls (Bennington) – 276
2. Sheftex (St. Johnsbury) – 80
3. Fair Rite Products (Springfield) – 30

Virginia: 5,608
Largest Losses:
1. VF Jeanswear/Knitwear (Shenandoah, Madison, Luray, Brookneal) – 716
2. Comdial Corporation (Charlottesville) – 657

Washington: 4,408
Largest Losses:
1. Hewlett Packard (Vancouver) – 1,436
2. Key Tronic (Spokane, Cheney) – 812

West Virginia: 116
Largest Losses:
1. Petersburg Garment (Petersburg) – 88
2. J and J Group (Franklin) – 28

Wisconsin: 5,813
Largest Losses:
1. Master Lock (Milwaukee) – 993
2. SMTC Mfg. Corp. of Wisconsin (Appleton) – 665

National total: 269,273

Appendix III

Congresswoman Kaptur delivered the following letter to President George W. Bush and President Vicente Fox during their visit to Toledo, Ohio in September 2001. The response from President Fox is included. President Bush, despite repeated requests, never responded to the letter or its proposals.

[Please see following page.]

MARCY KAPTUR
MEMBER
9TH DISTRICT, OHIO

COMMITTEES:
APPROPRIATIONS

SUBCOMMITTEES:
AGRICULTURE, RURAL DEVELOPMENT, FDA AND RELATED AGENCIES
VA, HUD, AND INDEPENDENT AGENCIES
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September 5, 2001

President George W. Bush
The White House
Washington, DC

President Vicente Fox
Embassy of Mexico
Washington, DC

Dear President Bush and President Fox:

During this Labor Day week, and on behalf of our entire community, I extend an official welcome to you both on your historic journey here among us. We look forward to your visit and to your remarks. We also hope you will listen and learn as our citizenry "speak truth to power." Building on this trip, we look forward to establishing a working relationship with your respective Administrations to address continental issues of mutual concern. Please let me propose the establishment of an "Intercontinental Organization on ~~Working Life and Cooperation in the Americas.~~"

First and foremost, we seek your leadership and engagement on the economic and social consequences of NAFTA in both nations. The serious dislocation of millions of industrial and agricultural workers, as well as small and medium sized firms, demands serious and compassionate action by those sworn to serve their fellow citizens. In our region (Ohio, Michigan and Indiana) post-NAFTA, over 115,621 good paying jobs have been lost to the maquiladora zone, where workers toil for hunger wages and have no job security. Ohio is among the top five states in our union losing jobs due to NAFTA (37,694). Nationally, since NAFTA, over 776,030 middle class jobs have been relocated to the maquila zone. Philips Electronics in Ottawa, Ohio, the latest plant to announce a shut down in production, will terminate hundreds of middle class workers. Spangler's Candy, in Bryan, Ohio, has announced it will shift some of its candy cane production to Mexico. Last week in Chicago, Brach's Candy, employing 1,500 with a major segment of Latino-American workers, announced it is shutting down its century old factory there, and moving production either to Mexico or Argentina. The displacement of high paying, middle class manufacturing jobs across the U.S. is fueled by NAFTA, and will only worsen if the proposed Free Trade Area of the Americas agreement ignores the plight of workers. With NAFTA and FTAA, only investment is given free rein in our hemisphere. Our goal is "Fair Trade, Free People."

Meanwhile, 3,200 multinational firms located in the maquiladora zone have shaped the modern scourge of the dreaded sweatshop. Nearly one million Mexicans, largely women, work in high productivity poverty, with no freely elected labor representation, no job security. The U.S.-Mexico border is plagued by alarming rates of tuberculosis, sewage effluent flowing into drinking water, moot environmental laws, and crumbling infrastructure that cannot bear the load being placed on it. Grinding poverty drives the immigration that is a primary subject of your visit.

The root causes of the immigration crisis lie in the deep and continuing disparity between compensation and living standards of workers on either side of our border. Our continent needs a common minimum wage and common labor standards. Trade agreements MUST recognize and include labor rights in the central bodies of their accords. No nation of conscience should ignore the plight of the dispossessed, the worker without representation, the small holders and campesinos and indigenous people who have no voice. As the powerful force of capital moves across borders so must labor have equal status in any economic accord. Further, NAFTA remains seriously deficient in providing structural adjustment assistance to cushion intercontinental economic integration.

Trade relationships should yield mutually beneficial economic and social benefits, not a legacy of growing political instability. Our U.S. trade relationship with Mexico is becoming increasingly distorted. Before NAFTA, the U.S. held a $3 billion surplus with Mexico. Post NAFTA, the U.S. surplus has turned into a growing cumulative deficit of over $140 billion, with last year's record high of $30 billion. In Mexico, we have witnessed the devaluation of the peso, wage cutbacks, and now job terminations in the maquilas due to a US economic slowdown. Indeed, northern Mexico has become the low wage export platform to the U.S. that opponents of NAFTA predicted. Nearly 90% of maquila production is exported back to the U.S. (and nearly the same from our Canadian counterparts) as Mexico becomes a vast importer of goods from Asia. Long term, this is an economic relationship that is damaging to our continent. The current economic arrangement means the workers of Mexico cannot afford to buy what they make, and their U.S. counterparts lose their living wage jobs as the downward pressure on remaining jobs continues unabated. High productivity poverty with hunger wages in Mexico and displaced U.S. workers do not good neighbors make. As the slogan reads, justice must come to the maquiladoras.

In the countryside, the story is even worse. Over 30 million Mexican farmers are being cruelly uprooted from their historic lands. This is a continental sacrilege of enormous proportions. Some, understandably, escape across our border. Some die in the Arizona desert. Others seek shelter in Mexico City's sprawling metropolis as overextended local services strain under the crush of rapid population growth. Last year, over 360 Mexicans seeking refuge or work died at our border. What kind of cruel economic system is it that tramples on their humanity and pits them against farmers and workers in our countryside who have labored for a century to gain sustenance and a decent way of life, collective bargaining rights, and dignity in the work place? An Intercontinental Agricultural Working Committee must be included as a key component of the Intercontinental Organization I propose.

President Bush, I understand that during your visit to our community you seek to discuss "common problems on our border, problems with drug interdiction, problems with environmental issues, problems with water and immigration." I can assure you that every single one of these problems arises from a flawed NAFTA agreement that leaves working people and the social compact out of the investment equation. It took our nation nearly a century, and a Civil War, to reject a form of indentured servitude in which workers were chattel. Our society still bears the scars of that war. In Mexico, I have witnessed the fear of workers bound to an economic system in which they hold no independent voice, where independent collective bargaining for the value of their work is impossible, and where their hard work and high productivity yield only more poverty. Here at home, I have witnessed our middle class workers who have struggled to build a way of life have the rug pulled out from under them by forces beyond their control. This surely cannot be your blueprint for our continent in this new millennium.

Something is seriously wrong when workers do not earn enough to buy what they make. It troubles me greatly that in Toluca, Mexico workers who assemble the popular PT Cruisers for DaimlerChrysler do not earn a living wage; every single one of the cars they build are shipped to the U.S. Reciprocally, it bothers me greatly that Toledo's DaimlerChrysler workers who attempted to bid on some portion of backlogged PT Cruiser production were summarily turned down. Since all the production from the Toluca plant is sent through the backdoor into the U.S., why shouldn't the workers in both plants be covered by the same collective bargaining agreement, along with their supplier firms? Otherwise, all that production yields from a continental standpoint is a race to the bottom for the workers.

Equally, in the countryside, it troubles me that northwest Ohio's fresh tomato and pickle businesses are increasingly threatened by Sinaloa plants and packing sheds. Yet field workers in both nations have no hope of a better life as their production is pitted against one another and they compete for survival wage jobs. Again, our continent needs an open forum in which to address and grapple with these serious questions.

Finally, I extend to you both an invitation to travel with bipartisan delegations from both countries. Let us tour U.S. and Mexican production sites, industrial and agricultural. Let us freely hear from the workers. Let us for the sake of the common good explore openly the dimensions of NAFTA that must be repaired. Let us do what is just. We should strive for an intercontinental accord that elevates our people, not exploits them, that uses the power of economic development and the marketplace to spur the necessary social and physical infrastructure to build great nations and treat our people with respect.

Pope John Paul II captured the essence of the challenge before us when he wrote:

> "The market imposes its way of thinking and acting and stamps its scale of values upon behavior."
>
> "What is happening is that changes in technology and work relationships are moving too quickly for cultures to respond. Social, legal and cultural safeguards are vital."

> "Globalization often risks destroying these carefully built up structures, by exacting the adoption of new styles of working, living and organizing communities."
> "Globalization must not be a new version of colonization."

The Pope stressed that on its course towards globalization, humanity cannot do without an ethical code which must be "wholly independent from financial, ideological or political partisan views ... Humanity can no longer do without a common code of ethics."

To this end, I would dedicate my full energies, as would the people of our community.

Most Sincerely,

Marcy Kaptur

MARCY KAPTUR
Member of Congress

SECRETARÍA DE RELACIONES EXTERIORES
MÉXICO

Mexico City
October 30, 2001

The Honorable Marcy Kaptur
United States House of Representatives
Washington, D.C.

Dear Ms. Kaptur:

On behalf of President Vicente Fox, I would like to thank you for your letter dated September 4, in which you so eloquently address a number of important issues concerning the trade relationship between the United States and Mexico.

I wanted to respond earlier but was unable to do so. Over the past few weeks I was forced to turn my attention to other pressing matters, some of them the result of the tragic events of September 11. But I did not want to postpone any longer my reply to your stimulating views.

The issue that you have raised are of paramount importance to the Mexican Government Administration. We share your concern for the well-being of workers, not only in Mexico, but on both sides of the border. Moreover, we firmly believe that open trade should render social and economic benefits for all and that it should thus be strengthened, not weakened, in order to promote new job opportunities and higher living standards in the region.

We are therefore determined to work together with all concerned parties, both in Mexico and the U.S., to achieve our common goals of higher labor standards, fair trade and greater transborder prosperity.

President Fox welcomes your initiative in raising issues of mutual concern in the bilateral relationship and looks forward to increasing our dialogue and cooperation in these and other matters.

Yours sincerely,

Jorge Castañeda
Secretary of Foreign Affairs