

# NAFTA: ASSESSING 10 YEARS OF FAILURE

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The North American Free Trade Agreement (NAFTA) is a tri-national economic agreement, adopted in January of 1994, which was designed to encourage the flow of goods and capital between Mexico, the United States, and Canada. NAFTA started a process of eliminating tariffs between the member countries and allowed free flow of investment capital for a period of fifteen years. Concerning the intentions of NAFTA, according to former United States President William Jefferson Clinton, it was created to boost the ailing Mexican economy, and also benefit other North Americans by creating jobs and improving living standards.<sup>1</sup> Luis de la Calle, a chief NAFTA negotiator and supporter for Mexico stated, "NAFTA will be instrumental in paving the road for economic growth and employment in the years ahead."<sup>2</sup> The agreement brought Mexico into a preexisting trade agreement negotiated between Canada and the United States in 1987 called the Canadian US Free Trade Agreement (CUFTA).<sup>3</sup>

Prior to NAFTA there have been numerous trade policies between the United States and its Latin American neighbors. <sup>America</sup> Historians have interpreted these policies differently according to national intentions of the United States. Analyzing different historian's perspectives on United States trade relations creates the backdrop of desired intentions and outcomes from which NAFTA was created. From Theodore Roosevelt's gunboat diplomacy to the modernization theories starting with John F. Kennedy's presidency, different historical thoughts have attempted to deal with the ongoing issue of

<sup>1</sup> Speech from Bill Clinton on 14 September 1993 as reproduced by *Essential Speeches, Signing of NAFTA Side Agreements*, 2003, 3.

<sup>2</sup> Olaf Carrera, "NAFTA at Five," *Business Mexico*, January 1999. p2.

<sup>3</sup> Gary Clyde Hufbauer, and Jeffrey J. Schott, *North American Free Trade: Issues and Recommendations*, (Washington DC: Institute for International Economics, 1992), 4.

international integration within the Americas. Many different opinions have always existed on how to approach an economically integrated America.

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Emily S. Rosenberg is one historian who has analyzed Theodore Roosevelt's American-international politics, known as Dollar Diplomacy. Just as NAFTA allows goods, services, and corporations to be traded or relocated, the policy of Dollar Diplomacy allowed the United States to trade loans from private banks to countries that used United States financial advisers. For former President William H. Taft, Rosenberg observes Dollar Diplomacy "was the cornerstone of a progressive foreign policy; it embodied a dream of rising living standards for all, boosted by ever-larger volumes of goods within a trading network greased by predictable financial infrastructures."<sup>4</sup> Thus, at the top of the US government, the international ideology was aimed at distributing private bank loans in return for financial advisement.

This ideological approach to raising the living standards of nations and people through private investment was challenged, however, by many reformers and academics. The influential journal *The Atlantic Monthly* published several articles in 1924 assessing the issue. Samuel Guy Inman, a reformer and publisher, issued an article stating that dollar diplomacy meant American domination and exploitation.<sup>5</sup> He considered it a policy that undermined democracy in the US and abroad. Thus, it's evident that an empiricist ideology developed as well out of the policy of Dollar Diplomacy. A policy that would not be challenged until Franklin Delano Roosevelt took office.

The United States ideological approach to trade and economic integration shifted during the presidency of Franklin Delano Roosevelt (FDR). FDR implemented the Good

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<sup>4</sup>Emily S. Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy*, (Massachusetts: Harvard University Press, 1999), 1.

<sup>5</sup>Ibid, 131.

Neighbor Policy, which was meant to improve United States relations with Central and South America. The approach to the policy was to bring stability to the Americas and it emphasized cooperation and trade instead of military force. Roosevelt's Secretary of State, Cordell Hull, summed up the declaration when he stated that "No state has the right to intervene in the internal or external affairs of another."<sup>6</sup> This was the national government's stance and other schools of thought, dealing with trade and integration, existed with the policy.

As demonstrated in his book, *FDR's Good Neighbor Policy*, Frederick B. Pike argues that United States Americans were no better neighbors than they had to be and that there was hardly a genuine effort to the policy.<sup>7</sup> Regardless of the outcome, Pike describes two main schools of thought that he believes drove the policy and its ideology. The *dependencistas*, which Pike links to historians like William Appleman Williams and Walter LaFeber, portrays American diplomacy as merely an attempt to make other hemispheric countries dependent on the American capitalist system. They consider American reformers to be primarily concerned with the pursuit of greater wealth and prosperity for the United States.

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The other form of diplomatic history that Pike discusses is the realpolitik school. Although it drew much of its ideologies from the Cold War Era, Pike believes this school of thought was also influential in the earlier era of the Good Neighbor Policy. Historians of its persuasion, according to Pike, believed the United States focused on its economic and military dominance. Pike asserts that proponents of the school declared "the United

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<sup>6</sup> U.S. Department of State Online, *Good Neighbor Policy*  
 <<http://www.state.gov/r/pa/ho/time/id/17341.htm>

<sup>7</sup> Frederick B. Pike, *FDR's Good Neighbor Policy: Sixty Years of Generally Gentle Chaos*, (Austin: University of Texas Press, 1995), xi.

States should not fret unduly about imposing the values of its national culture, including democratic procedures and human rights, on other countries.”<sup>8</sup> The focus was United States market domination and adherents to this school believed that United States military intervention could jeopardize these economic goals. This devotion to nonintervention was transformed by the United States government once again as modernization ideology and the Cold War became a predominant concern for the well-being of the United States.

Historian Michael E. Latham discusses the Latin-US relations during the 1960’s in his book *Modernization as Ideology*. Latham’s view of modernization differs from that of Pike’s realpolitik by ways of United States policymaker’s interest. Latham argues that policymakers during the 1960’s conceived the development of emerging nations as protecting the security of the United States. Instead of avoiding intervention and private investment, modernizers identified America as an “altruistic, anticolonial nation prepared to meet revolutionary challenges around the world.”<sup>9</sup> In March of 1961, the Kennedy administration introduced the Alliance for Progress that emphasized the modernization of Latin America through a number of reforms. Foreign investment and land redistribution, among other reforms, were at the forefront of negotiations, but fear of communism helped drive the program. Latham stated, “in the case of the Alliance for Progress, the ideology of modernization shaped and legitimated an ambitious, highly publicized effort to combine the promotion of Latin American development with the containment of communism.”<sup>10</sup> Thus, modernization became the ideology of international trade relations

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<sup>8</sup> Ibid, xii.

<sup>9</sup> Michael E. Latham, *Modernization as Ideology; American Social Science and 'Nation Building' in the Kennedy Era*, (North Carolina: University of North Carolina, 2000), 209.

<sup>10</sup> Ibid, 72.

in the United States. Existing among these trade theories, however, is a school of thought that interprets trade theories and policies through environmental laws.

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Environmental history is another school of thought. It analyzes domestic and international policies through the perspective of their impact on the environment. In the case of NAFTA, David L. Markell and John H. Knox in *Greening NAFTA* link international development to the policies of environmental protection and free trade.<sup>11</sup> Their focus of discussion lies on the North American Agreement for Environmental Cooperation (NAAEC) and how each member country sought to protect the environment while dealing with free trade issues. This approach is quite different in that while other historians such as Latham may focus on the social implications of NAFTA, the authors of *Greening NAFTA* instead address regional environmental problems and analyze past environmental laws of the signatory countries against the imposing laws of NAFTA.

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Based on the preceding historical interpretations of US-Latin American trade, my study offers a critique of NAFTA. Ten years after its implementation, NAFTA has failed to fulfill expectations that it would be a beneficial trade agreement for the signatory countries, primarily because it ignored labor concerns. NAFTA caused a race-to-the-bottom in wages and allowed the deindustrialization of many United States cities. This has resulted in the loss of many well paying, unionized jobs and the NAFTA-Trade Adjustment Assistance (TAA) program, a side agreement to give assistance to workers displaced by foreign investment under NAFTA has failed to protect all of those affected by the agreement and left many people unemployed. In Mexico, the effects of NAFTA have caused thousands of small Mexican farmers to lose their crops from United States

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<sup>11</sup> David L. Markell, and John H. Knox, *Greening NAFTA: The North American Commission for Environmental Cooperation*, (California: Stanford University Press, 2003) foreword.

agricultural subsidies, which were discouraged during the preliminary stages of the treaty, and this has contributed to Mexico's rise in unemployment in southern states.

A review of the past three decades of trade policies among the signatory countries helps to understand the framework from which NAFTA evolved. The maquiladora policy was established in 1965 under Mexico's Border Industrialization Program. It was a bilateral agreement allowing United States goods to enter Mexico duty free, and be assembled into finished products, and re-exported to the United States. The value-added to the finished product was the only duty that was paid upon re-exporting. The Mexican objective in this program was to increase foreign investment while the United States firms sought to cut labor costs. Ironically, Canada and the United States entered into a similar treaty in the same year with the US-Canada Auto Pact, which followed many of the same maquiladora guidelines of temporary importation of goods for the purposes of assembly and lower duties. These two pacts later became the cornerstones to the trade integration of the North Americas.<sup>12</sup>

Ratified in October of 1987 the Canada-US Free Trade Agreement (CUFTA) was the next step in the neo-liberal trade policies. This complicated agreement allowed the removal of several trade restrictions. Under CUFTA tariff and nontariff barriers were eliminated by January 1 of 1998. Tariffs were only a small part of the Agreement. The real issue was Canada's desire for unhindered access to the American economy and America's desire to compete in Canada's energy and cultural industries. CUFTA quickly became controversial when Canada experienced an economic crisis in the early 1990's.<sup>13</sup>

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<sup>12</sup> HufBauer, 91.

<sup>13</sup> Ibid, 156.

Mexico's desire to be more integrated in international trade was no secret. On February 4, 1990 president Carlos Salinas de Gortari and members of his cabinet at the World Economic Forum in Davos, Switzerland declared their desire for foreign investment. Salinas insisted that Mexico's economy needed reconstruction since it had faced more than a generation of inflation, market recession, and an accruing foreign debt. When asked about NAFTA during its negotiation, one Mexican industrialist demonstrated the initial Mexican public perception of NAFTA when he stated, "The important thing is that we Mexicans should have work."<sup>14</sup> Mexico's political leaders' aspirations to boost the Mexican economy under NAFTA differed from the desires of US negotiators.

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Just after the Salinas cabinet returned from Switzerland empty handed, the Bush administration quickly agreed to enter into negotiation for a bilateral free trade agreement. By August of 1990, Canadian Prime Minister Brian Mulroney joined the negotiations for a trilateral agreement despite Canada's public disappointment with CUFTA after the national recession in 1987. The main United States negotiators George Bush, Trade Representative Carla Hills, and Secretary of Commerce Robert Mosbacher, desired a trilateral trade agreement to stabilize the reforming of the Mexican state, to expand possible markets for US exports, and to have access to markets such as the Mexican oil fields.<sup>15</sup> At the outset of the negotiations and even after it was ratified, there have been many vociferous proponents and opponents of NAFTA.

In order to understand the modern Mexican economy, as to why it would consider such an agreement, it is important to review the dramatic changes in the last thirty years.

<sup>14</sup>Maxwell A. Cameron and Brian W. Tomlin, *The Making of NAFTA: How the Deal Was Done*, (New York: Cornell University Press, 2000), 4.

<sup>15</sup>Ibid, 69.



On December 1, 1976, Jose Lopez Portillo assumed presidency in Mexico and through his policies Mexico accumulated a substantial amount of debt. Amidst granting favoring policies to the country's elites, Portillo discovered new oil and gas deposits on the Eastern borders. After initial success in transitioning the focus of exports to oil and gas, the country plummeted in 1981 as the peso's value dropped by nearly 60 percent. Mexico's proposed earnings for 1982 from oil and gas exports (constituting 75 percent of their foreign exchange) decreased from \$27 billion to only \$14 billion. With the nation neck deep in a debt crisis, Portillo nationalized all the private banks and sought help from foreign neighbors.<sup>16</sup>

To prevent Mexico's financial collapse, the IMF and United States officials temporarily fixed the problem by imposing a seven-month freeze on all principal payments owed to banks while granting an IMF loan of \$3.9 billion. For its part, Mexico had to reduce subsidies and halt wage increases. Thus, Mexico was adding new debts to old ones and the impoverished state wasn't able to recover.<sup>17</sup>

A new economic order was rising as Miguel De la Madrid ascended to presidency in Mexico. Responding to the political pressures of the dominant Mexican elite, De la Madrid began favoring the neo-liberal trade proposals from the U.S. He faced the crises of continuing the longstanding tradition of import-substitution, private subsidies of commercial corporations, and land reform as modeled by Lazaro Cardenas. Surrounded by seemingly endless debt, foreign governments pressured him to open the floodgate of Mexican industry to foreign investment and lower the tariffs on goods.<sup>18</sup>

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<sup>16</sup>Colin M. Macfachlan., and William H. Beeegley, *El Gran Pueblo: A History of Greater Mexico*, 3<sup>rd</sup> ed. (New York: Prentice Hall, 2004) 432.

<sup>17</sup> Ibid, 436.

<sup>18</sup> Ibid, 437.

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In 1986 the conditions mentioned before contributed to Mexico's signing of the General Agreement on Tariffs and Trade (GATT). It was designed to lower and abolish the tariffs that restricted trade between partnering countries. When, in 1988, Carlos Salinas de Gortari assumed the presidency, he privatized the Mexican industry and began selling off state-owned enterprises to foreign control and the denationalization of the Mexican industry begun.

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In 1989 George H. Bush began crucial economic meetings with Carlos Salinas. Canada quickly joined the summit meetings and negotiations addressed the needs of all member countries. When a treaty emerged in August 12, 1992 there was a mixed reaction from the American public as to how beneficial the agreement would be. Another issue was that President Bush announced he would employ the "fast-track" authority granted to him by the Federal Omnibus Trade and Competitiveness Act of 1988. This allotted Congress a designated time to ratify a document but it was not permitted to reform it. The fast track legislation gave Congress nine months to vote yes or no on the agreement.<sup>19</sup> With such little time allotted, it became hard to decipher the exact contents of the agreement.

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The official NAFTA document is comprised of twenty-two chapters, numerous annexes, supplemental agreements on environment and labor, and amounting to more than one thousand pages.<sup>20</sup> The first five chapters are the core of the trade agreement. They deal with tariffs, related border measures, rules of origin, and the principles of GATT. What is interesting about this section is it shows that not all tariffs are removed on the same timeline. Instead, some tariffs were removed immediately, and others, like

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<sup>19</sup> Wm. F. Buckley Jr., *Digging in against Mexico*, National Review, 10 May 1992, 2.

<sup>20</sup> Official NAFTA document

<<http://www-tech.mit.edu/bulletins/nafta.html>

Mexico's domestic automotive regime, were removed over a period of ten years. All tariffs are scheduled to be eliminated by January 1, 2008.

Chapters 6-14 deal with energy, agriculture, telecommunications, and financial services. The contents of these chapters have led critics to claim that NAFTA is an investment agreement rather than a free trade agreement. Throughout these chapters, each signatory country protects its most valuable markets. For example, in the energy section, it is clearly stated and prohibited for any signatory country to participate in

Mexico's oil and gas production or petrochemical services industry. Also, if a party feels that a designated market of interest is being overtaken like agriculture, then parties can impose a snapback tariff which increases the tariff for up to ten years for protection purposes.<sup>21</sup>

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The investment section, which is chapter 11 of the original document, is one of the most important sectors of the agreement. Through this chapter the signatory countries agreed to the fair treatment of all foreign exports and to not discriminate between them. Countries are also supposed to bring disputes to a tribunal council called the Free Trade Commission that has legislative rights over foreign investors, which is distinguished in chapters 19 and 20. One of the most important aspects of Chapter 11 deals with labor. This is the origin of Ross Perot's expression a "Giant Sucking Sound" of American jobs going south.<sup>22</sup> The chapter distinguishes to what levels the markets are available for foreign investment. When everything was said and done the market was widely available for foreign investment.

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<sup>21</sup> Cameron, 37.

<sup>22</sup> Cameron, 40.

The ratification of NAFTA was as difficult as drawing up the treaty. After Clinton took office in 1993 he submitted NAFTA in late 1993. A heated debate left the vote in the House of Representatives at 234-200. The Senate votes proved to be equally troubling with 61-38 approving NAFTA. The close votes in the House of Representatives and the Senate shows the problem with fast-tracking the bill. Congress felt they didn't have the proper time to carefully analyze the entire document and many of the congressmen had different opinions on what NAFTA would bring. The plethora of opponents and proponents of the agreement just after its ratification shows the uncertainties of the real outcomes that NAFTA would bring.<sup>23</sup>

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Thomas R. Donahue is one who quickly opposed NAFTA. He was chairman of the Labor Policy Advisory Committee for Trade and secretary-treasurer of the AFL-CIO. During one of the early Senate proceedings in 1993, Donahue approached the Senate on why he thought NAFTA would fail, stating "we believe that the adoption of this agreement would seriously harm the United States economy, would result in the loss of hundreds of thousands of American jobs, and a decline in the nation's standard of living."<sup>24</sup> Donahue further argued that what is really at stake is the deindustrialization of the American economy to which United States citizens have worked so long to establish. He argued there is no protection against the United States losing its technological sector and no guarantee that Mexican workers will benefit from this transfer.<sup>25</sup> These arguments were challenged nearly one month later and the proposed outcomes of NAFTA were quite different.

<sup>23</sup> Frederick Mayer, "Interpreting NAFTA," (New York: Columbia University Press, 1998) 24.

<sup>24</sup> Federal News Service, "Hearing of the Senate Finance Committee," 21 September 1993.

<sup>25</sup> Ibid, 4.

The former Secretary of Labor, Robert Reich, testified before the Senate in support of NAFTA nearly one month after Thomas Donahue in 1993. Reich's counter-argument concerning labor was "in my view, passage of the North American Free Trade Agreement with the side agreements is good for American workers. It means more jobs. It means better jobs for American workers."<sup>26</sup> As for Mexico, Reich argued that corporate downsizing would be minimal and not many companies would move to Mexico. Since America offers productivity, Reich proclaimed, the United States level of skill and infrastructure would deter businesses from going to Mexico for low wages. These arguments concerning the outcomes of NAFTA were typical of the arguments in Congress. The real outcomes of NAFTA were hard to predict and many different schools of thought emerged in 1993.

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The journal, *The Economist*, presented multiple perspectives on NAFTA. These various perspectives, collectively suggested NAFTA was a good idea, but one still had to be skeptical. Yet in a publication at the end of 1994, *The Economist* took a strong stance on NAFTA. It argued that although it had only been a year since its ratification, the agreement had been wholly successful: "the facts are proving NAFTA right."<sup>27</sup> The author, who did not provide a name, did state some facts about growing GDP in the U.S. but never gave any sources. Nevertheless, *The Economist* remained skeptical about the outcomes of NAFTA, while other organizations were against it from the beginning.

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The Public Citizen is a national, non-profit consumer advocacy organization that is very supportive of the American consumer. It was founded in 1971 by Ralph Nader and although its earliest publications concerning NAFTA begin in 1997, it's no secret

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<sup>26</sup> Federal News Service, "Labor and Human Resources Committee Hearing," 13 October 1993.  
<sup>27</sup> *Happy Ever NAFTA*, *The Economist*, 12 October 1994, 2.

that Public Citizen opposed NAFTA from its initial debates. One of the organizations earliest concerns with NAFTA was the issue of labor. Public Citizen's publishers said that supporters of the agreement promised higher paying jobs and increasing middle class consumer demand in Mexico. Public Citizen argued that real wages would go down in the United States and it would begin to deindustrialize.<sup>28</sup> After the plethora of predictions on the outcomes of NAFTA both supporters and condemners of the agreement greatly anticipated to see if their calculations would hold.

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As time passed by information accumulated about the outcome of the agreement. Thousands of jobs have been lost in both Mexico and the United States at a *rate* disproportionate ~~rate~~ <sup>to</sup> the jobs being created. In Mexico, ~~the~~ real wages have decreased since NAFTA's ratification and the economic gap has widened between the citizens of Mexico and their northern neighbor. Thousands of small Mexican farmers have lost the value of their crops because of United States dumping and agricultural subsidies. Displaced farm workers migrate to northern cities where they look for work in maquiladora factories. In the United States the composition of the workforce has shifted away from manufacturing and many laborers who have been displaced from their companies moving south were not appropriately assisted by the NAFTA Trade Adjustment Assistance program (NAFTA-TAA). These problems are evident through the case of Swingline located in Queens, New York.

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In 1925, a Ukrainian immigrant named Jacob Linsky developed a new model of staplers while working in the East Side of Manhattan. Within a few years he established

<sup>28</sup>NAFTA's Broken Promises: The Cost to California of Our Failed Experiment with NAFTA, Public Citizen, 7, January, 1997. 5.

a business called Swingline Inc. in Long Island City.<sup>29</sup> By 1950, a large 60-foot neon stapler atop his manufacturing building and the production of two million staples a month marked his business as one of the flourishing corporations in New York's manufacturing sector. By 1970, Linsky sold Swingline to a rival; ACCO USA, Inc. for \$210 million.

Swingline ACCO itself was a haven for immigrant workers and paid benefits to them all, who belonged to Teamsters Local 808 union. At its apex of employing over 1000 employees in 1997, it was the number one stapler producer in the world controlling 56 percent of the stapler market. Even its two closest rivals Bostich and Hunt

Manufacturing held no comparison. Bostich was the second highest stapler producer, controlling 30 percent of the market, but then it decreased because of its "instability."<sup>30</sup>

Regardless of its market dominance, on April 30, 1999, Swingline formally closed its operations in Queens, laying off 450 people, and moved just south of the United States border into Nogales, in the Mexican state of Sonora. The company held negotiations with union leader Chris Silvera, of union Teamsters Local 808, in the first stages of planning to move the company. When the company finally moved, its explanation was that Swingline ACCO needed to cut their labor budget to be a continuing contender in the stapler business, even though they had an annual net income of over \$100 million out of \$1.1 billion total net sales.<sup>31</sup>

"I hate NAFTA," cried Nancy DeWendt, a former employee of ACCO Swingline in 2000.<sup>32</sup> DeWendt worked for Swingline for nearly two decades with ambitions to put

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<sup>29</sup> Jim Toedtman and Letta Tayler, *Jobs Move Again; Factory work shifted to Mexico after NAFTA now goes to Asia*, *Newsday*, 28 December 2003, 5.

<sup>30</sup> John R. MacArthur, *The Selling of "Free Trade," NAFTA, Washington, and the Subversion of American Democracy* (New York: Hill and Wang, 2000),47

<sup>31</sup> *Ibid.*, 8.

<sup>32</sup> Toedtman and Tayler, 2.

her youngest son through college. She kept with her first mundane job in the assembly-line and through nineteen years and nine months of hard work, and eventually became a production leader. After the company moved to Nogales, DeWendt was unemployed for five years. Today she walks with a cane because of a back-related injury during her time at Swingline that prevents her from securing other manufacturing jobs. DeWendt expressed <sup>concerns</sup> that manufacturing options were not available, <sup>only</sup> lower paying service jobs. "The only jobs they have at unemployment," DeWendt observed, "are for fast food and for a foot massager, and that's at \$5.40 an hour."<sup>33</sup>

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Gorica Kostrevski, another former Swingline employee also faced hardships brought on by NAFTA. Born in Macedonia, Kostrevski immigrated to the United States in the early 1970's and sought factory work. When Kostrevski joined Swingline Inc., she earned the minimum wage of \$1.60 an hour with no overtime. By 1998, right before Swingline moved to Mexico, Kostrevski was earning \$11 an hour, slightly above the Swingline average of \$10.53, and well above minimum wage. The union-scale wages were negotiated by the Teamsters Union, which also ensured that workers had access to free medical care, an excellent health-insurance plan, and job protection. When asked why she stayed so faithful to Swingline, Kostrevski replied, "If you look, they give us good benefits...the company and the union. I mean, like we got all kind of doctors we need; for me my husband, that's why I stay here."<sup>34</sup>

If people like Kostrevski and DeWendt had been able to find work in Queens that paid benefits and at least a few dollars over minimum wage, then this transition would not have been as difficult for them. However, there was no demand for industrial

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<sup>33</sup>Vivian S. Toy, *As the Swingline Factory in Queens Closes, Veteran Workers Wonder What's Next for Them*, New York Times, 17 January 1999, 2.

<sup>34</sup>MacArthur, 45.



workers at the time. When the factory closed, mayor Rudolph Giuliani stated that “the city comes out of this quite well” and “it will be a relatively easy thing” for Swingline workers to find new jobs in their vicinity.<sup>35</sup> The easy-to-find jobs that the mayor mentioned, however, were elusive. Chris Silvera stated that “Swingline contacted some of the companies that Giuliani had identified, and those companies said they weren’t looking for a soul.”<sup>36</sup> Through this job relocation, the former Swingline employees were displaced without equally beneficial jobs available.

So what replaced the old, three story, Swingline factory on Skillman Avenue? The answer is that the city proposed a Opportunity School for juvenile delinquents, which at any rate only offered employment for security guards, ~~was~~ ran into stiff community opposition and never opened. Instead, Lason, Inc., a letter shop, and Kruysman, a producer of filing materials for business offices, ~~was~~ opened at that site. Both companies were based out of New York, so they kept their employees and offered few new jobs. Neither company was unionized. Worse, the average earnings for Lason’s employees were \$7 an hour, for Kruysman’s, \$8 an hour. As noted earlier, this was well below the Swingline average of \$10.53.<sup>37</sup>

This example of a transitional manufacturing sector in Queens, New York illustrates the problem of foreign investment without protection for workers. Will Sanders, a business professor at LaGuardia Community College, observed, “I’ve seen this continuing, fairly rapid de-industrialization of Long Island City.”<sup>38</sup> Leslie Fay, Pro-Am, M. & N., Graham Chemical, Eutectic Corp., are just a few manufacturing companies

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<sup>35</sup>Toy, 1.

<sup>36</sup>MacArthur, 50.

<sup>37</sup>MacArthur, 56.

<sup>38</sup>Toedtman and Tayler, 3.

which have moved and changed the blue collar working sector since NAFTA was implemented.<sup>39</sup> Many times laborers see their community change, as in Queens, and they do not have sufficient education to qualify for the changing job market. This means they must start over at minimum wage and without any union protection.

The movement of manufacturing to Mexico is not the last chapter in the migration of United States industry. The fear that Nancy DeWendt spoke of about losing her job because of the attraction of low wage labor in Mexico is the same fear now shared by Alma Arenas who works for Swingline in Nogales, Mexico. In the past few years, Swingline has laid off hundreds of employees because it is now taking advantage of the low wage labor available in Asia. The mother company of Swingline, ACCO, began with a Mexican workforce of 2,600 in 1999 and by December of 2003 it had downsized to less than 900.<sup>40</sup> About two-thirds of the employees who lost their jobs worked for the Swingline division. This was not because Swingline failed to be a competitor in the market system. The loss was due to the company moving to other factories in China. Similar losses have occurred throughout Mexico causing original Mexican supporters of NAFTA to reevaluate the agreement.

NAFTA has helped create a race-to-the-bottom in wages among foreign investors. When NAFTA was implemented Mexico initially experienced a booming labor increase in the northern manufacturing sectors of the country providing nearly half a million manufacturing jobs, but since 2001, about one-third of the assembly-line work has left for Asia. This lack of work insurance was felt by individuals such as Antonio Oltehua, who migrated to Nogales from Veracruz in August of 2003. After receiving two one-month

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<sup>39</sup>Toy, 5.

<sup>40</sup>Toedtman and Tayler, 4.

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contracts from Swingline, Oltehua lost his job because Swingline was moving.<sup>41</sup> When asked what his plans were, Oltehua stated, "I'll keep looking for a while. But if I don't find anything, I might go to the other side."<sup>42</sup> Referring to the United States, Oltehua's option of illegal immigration is another dimension of NAFTA's failure.

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The issue of illegal immigration deals directly with NAFTA and the labor market. Many supporters of NAFTA stated that Mexico would create more job opportunities, which initially was the case. If more jobs were created, then there would be a less desire for Mexicans to illegally immigrate to the United States because there would be work opportunities at home. However, an article published by Robert Pastor in *Foreign Affairs* clearly distinguishes that this is not the case. In fact, since the early 1990's when NAFTA was first ratified, the number of illegal immigrants in the United States has risen. The number of undocumented workers has increased from three million to nine million of which 55 percent are from Mexico.<sup>43</sup> Thus, citizens of Mexico, such as Oltehua, have considered immigrating to the United States because the hopes of job opportunities under NAFTA have fallen short.

It is also important to analyze the median wages of Mexican laborers since the ratification of NAFTA given that it was partly ratified to increase the standard of living in Mexico. According to an article published in *U.S. News and World Report*, Mexico's wages have fallen by 21 percent in the first six years of the agreement.<sup>44</sup> This is not proportionate either to the wage gap between Mexico and the United States. One *Newsweek* article reported in 1993, during the preliminary stages of the agreement, that

good use of new sources for current period

<sup>41</sup> Ibid, 4.

<sup>42</sup> Ibid, 5.

<sup>43</sup> Robert A. Pastor, "North America's Second Decade," *Foreign Affairs*, February 2004.

<sup>44</sup> Lou Dobb, "The Imbalance of Trade," *U.S. News and World Report*, 4 May 2004.

Mexican wages were nearly one-fifth of the average United States wages.<sup>45</sup> Yet, regardless of the predictions mentioned earlier ~~concerning~~ that NAFTA would boost the Mexican economy, an article published in January of 2004 by the *National Review* stated that “the United States average wage of \$32,000 a year is ten times the average wage of Mexican laborers.”<sup>46</sup>

OK, but is this true? →

Equally important is the labor transition occurring in Mexico. Since NAFTA has been ratified, thousands of small Mexican farmers have lost the value of their crops due to United States farming companies dumping cheap corn.<sup>47</sup> Many of these *campesinos* (farm workers in Latin America) have migrated to the crowded Northern states of Mexico looking for work in maquiladora factories. This agricultural crisis is largely due to chapter seven of NAFTA, which deals with agriculture and the elimination of limits on imports designed to protect domestic agricultural prices. It also “required elimination of many programs relied upon by small producers, but it allowed some government payments that mainly go to large producers.”<sup>48</sup> Since negotiations failed to eradicate dumping of agricultural products in a market where corporations such as ADM, Cargill, and Zen Noh export 80 percent of United States corn, dumping and overproduction happen quite regularly.<sup>49</sup>

good discussion

whose fault?

The affects of this is that at least 1,500,000 small Mexican farmers have lost their livelihood since NAFTA has been ratified. In 2002, “an estimated 600 Mexican farmers

<sup>45</sup> Rich Thomas, “Perot, Playing Both Sides Badly,” *Newsweek*, 22 November 1993

<sup>46</sup> Buckley, William F. “Bushwhacking Immigration,” *National Review*, 9 January 2004.

<sup>47</sup> Public Citizen, “U.S., Mexican, and Canadian Farmers and Agriculture,” 16 December 2003,

p1.

<sup>48</sup> *Ibid.*, 2.

<sup>49</sup> *Ibid.*, 2.

were forced off the land every day.”<sup>50</sup> This pain is felt by Etelvina Vázquez, who is one of the 27,000 Mexicans to migrate to Ciudad Acuña from the southern state of Veracruz. Losing her crop due to large agricultural corporations from the United States, Vázquez migrated north in hopes of finding work in a maquiladora factory. Vázquez says about NAFTA, “the promises made about how life would be were not real.”<sup>51</sup>

good detail  
use of  
page

The issue of job loss in Mexico due to the affects of NAFTA is equally important in the United States. In the United States job losses and gains in industries affected by NAFTA commonly followed patterns similar to the experience of Swingline Inc. From its ratification in January of 1994 to December of 2003, approximately 525,000 U.S. workers lost their jobs when companies relocated to take advantage of cheaper wages in Mexico. *Public Citizen* stated that hundreds of thousands of “full-time, high-wage, benefit-paying manufacturing jobs that were being lost to NAFTA were masked.”<sup>52</sup> Even proponents of NAFTA have fallen short of their predictions for job creation in the United States. One pro-NAFTA economist, Gary Hufbauer, predicted that NAFTA would create 170,000 new United States jobs within its first two years and would continue in growth from then on.<sup>53</sup> Using a formula that estimated 13,000 new jobs for each one billion dollars in trade surplus, the predictions have failed horribly. Not only is the United States in a trade deficit with Mexico but the effects of NAFTA has not consistently produced the number of jobs predicted by Hufbauer.

good detail  
use of  
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<sup>50</sup> Stephen Leahy, “Trade-Mexico: Farmers Take to Streets Over New NAFTA Rules,” *Interpress Service*, 7 January 2003. p2.

<sup>51</sup> Tim Wiener, “Free Trade Accord at 10: Growing Pains are Clear,” *New York Times*, 27 December, 2003. p4.

<sup>52</sup> *Public Citizen*, “U.S. Workers’ Jobs, Wages, and Economic Security,” 16 December 2003. p1.

<sup>53</sup> Gary Hufbauer, and Jeffrey J. Scott, *NAFTA: An Assessment*, (Washington DC: Institute for International Economics, 1993). 36.

Some economists have designed more careful and accurate data to discuss job loss and creation in the United States. For instance, Robert Scott concluded that by December of 2000, NAFTA had cost the United States 766,000 jobs and job opportunities.<sup>54</sup> Job opportunities are those jobs that would have existed if it was not for the incentive that NAFTA creates for businesses to move to Mexico. His analysis is more complete by using data from the governments<sup>1</sup> tracking and considering jobs that do not fall under the NAFTA-TAA guidelines. He also gives analysis to the distinct problem of the NAFTA-TAA's failure to compensate all the displaced workers due to NAFTA's affects.

Anticipating labor losses, the NAFTA-Transitional Adjustment Assistance Program (NAFTA-TAA) was established to grant income-replacement benefits and job retraining to United States citizens who had been displaced from their companies moving to another NAFTA party for foreign investment. But many of these laborers found new jobs with wages considerably below what their fleeing corporation had paid them. Also, only about 20-30 percent of those who applied for the service received it.<sup>55</sup> Not only were the majority of applicants turned down, but many workers who lost jobs or income, due to NAFTA, did not apply. This is because there was no stipulation in the policy that required "posting of information regarding the program in workplaces or public government agency offices."<sup>56</sup> Thus, some employees were not even aware of the assistance program or of its existence.

Another important issue with the NAFTA-TAA is its failure to provide assistance to all the people that it affected. Many laborers could not apply for the assistance even if

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<sup>54</sup> Robert E. Scott, "NAFTA's Hidden Cost's," *Economic Policy Institute*, January 2001. p5.

<sup>55</sup> Ara Bates, ed. *Mexico: Historical Issues, Background, Bibliography*, (New York: Nova Science, 2002). 41.

<sup>56</sup> Public Citizen, "U.S Workers, Jobs, Wages, and Economic Security," p3.

they lost their job in relation to NAFTA. For instance, if an auto assembly plant moves to Mexico then its employees qualify for the assistance, but if the plant that provided parts for the relocated plant also has to downsize, the laborers do not qualify for the NAFTA-TAA.

These issues were felt by workers in a grape growing corporation in Southern California. Jose Castillo, who worked for Bluestone Inc., lost his job and could not receive NAFTA-TAA benefits. Bluestone Inc. was a grape growing corporation that employed hundreds of seasonal workers. Grapes, however, were more of a comparative advantage for Mexico and they produced them abundantly. United States companies imported 7,000,000 boxes of grapes from Mexico after the first season of NAFTA. Bluestone harvested nearly 10 million boxes, but its domination of the grape market came to a halt. Bluestone issued layoff notices on January 7, 1994 just a few days before the seasonal workers started working full-time. The layoff notice mentioned that the company was going to quit producing table grapes and due to the competition in their market they had to layoff hundreds of workers.<sup>57</sup>

good  
use of  
90%

As a result, Jose Castillo and hundreds of other former Bluestone employees went to the California Employment Development Department (EDD). The EDD decided that since they were not working during their layoff they were not eligible for the NAFTA-TAA. It is also true that the EDD does not even advertise the existence of the assistance program. Workers from Bluestone had to discover it for themselves and then pool money together in order to buy radio time to educate other displaced workers.<sup>58</sup> Yet because of the EDD's decision Jose Castillo and another 2,543 Californians became victims during

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<sup>57</sup> David Bacon, *The Children of NAFTA: Labor Wars on the U.S./Mexican Border*, (Berkeley: University of California Press, 2004), p5.

<sup>58</sup> Ibid, 15.

the first year of the agreement <sup>to</sup> not receive financial benefits after being displaced by the effects of NAFTA.<sup>59</sup>

It is evident that the NAFTA set before the three signatory nations had good intentions to provide mutual economic benefits. Many jobs were also created over time in the United States and some displaced workers received aid from the NAFTA-TAA and have found replacement jobs. In Mexico, many jobs have been created and many of them remain, but the question is: for how long? Considering 300,000 jobs have left Mexico for Asia since the year 2000, job security still remains an issue in Mexico.<sup>60</sup> Early supporters of NAFTA like Luis de la Calle, mentioned earlier, <sup>are</sup> ~~is~~ now declaring that NAFTA's benefits for Mexico are dwindling because Mexico is losing its manufacturing jobs at an unprecedented rate.<sup>61</sup>

Analyzing NAFTA through labor issues is just one historical approach of many. Looking through environmental law is just one school of thought as the authors of *Greening NAFTA* have discussed. Their views and approaches to NAFTA, however, would differ from those historians, such as Frederick Pike, who <sup>are</sup> ~~is~~ involved <sup>with</sup> ~~in~~ more of a diplomatic approach to history, thus he would ~~prescribe~~ <sup>prescribe</sup> different outcomes. His background and focus <sup>lead him to develop</sup> ~~would derive~~ different theories <sup>about</sup> ~~to~~ this neoliberal trade agreement and his research <sup>however</sup> ~~would involve~~ more <sup>on</sup> ~~of~~ the diplomatic <sup>uses</sup> ~~lies~~ within NAFTA. Whatever the approach, it is evident that there are many different aspects and approaches to analyzing NAFTA.

fuzzy conclusion

However, after providing detail <sup>about</sup> ~~to~~ the complex system from which NAFTA evolved, from its enactment, to its ratification, it is evident that the real outcomes of

<sup>59</sup> Ibid, 26.

<sup>60</sup> Wiener, p3.

<sup>61</sup> Ibid, p3.



NAFTA were hard to predict. ~~Y&E~~ Evaluating the agreement after ten years of its implementation, it is obvious that NAFTA ~~has~~ failed to be a <sup>benefit</sup> beneficiary to all three North American nations. Too many manufacturing corporations have fled for low wages and this ~~has transformed~~ <sup>hurt</sup> many United States cities, such as Queens New York, to which ~~many~~ <sup>thousands</sup> United States laborers were not prepared for. The NAFTA-TAA failed to provide adequate assistance to everyone affected by NAFTA and that has also hurt laborers. In Mexico, what was initially a quick boom in industrial work is currently a Mexican society in transition. When thousands of small Mexican farmers were displaced from United States subsidies and dumping, many of them migrated north to find work in the initial industrial boom from NAFTA. Yet, recently many corporations are now leaving Mexico for the cheap labor offered in Asia and this has been the real affects of NAFTA. January 1<sup>st</sup> of 2009 will mark the end of the 15 year agreement and after considering the current affects, negotiations for further trade and investment will probably be handled differently.

- General comment: Paper has not really addressed how schools of thought on NAFTA differ among
- ① Canadian, U.S., & Mexican historians/political analysts (altho' recommended @ outset of project) - paper is really a U.S. analysis of NAFTA effect, which is fine, but needs to recognize other schools; how it relates to those schools.
  - ② Generally good improvement on historiography (realpolitik & dependency theories)
  - ③ Unclear (p. 6) how this paper fits into that historiography? (which of those schools explains labor issues?)
  - ④ Not responsible to substitute comments from earlier draft (see pp. 7, 10); but good attempt to edit on pp. 11-12 (not so much on substitution's position)
  - ⑤ Good ~~new~~ descriptive material on NAFTA document (pp. 10-12), altho' only some suggested revisions have been addressed, there is some goal re-words/phrasing of this section.
  - ⑥ weak on linking proponent/opponent of the agreement into the historiographic discussion.
  - ⑦ weak on bringing in actual data documents (GDP, etc.), as suggested in previous drafts (see p. 12) - overuse of generalizations w/out supporting data (see p. 14) "Thousands of ..."; "many laborers..."
  - ⑧ Good re-organization of section intake the case study.
  - ⑨ Good attempt to copy edit/reorganize suggested in draft of case study (see outline)
  - ⑩ consistent use of material from the National Review (p. 20)
  - ⑪ Conclusion is fuzzy -- how does this paper help us decide how to evaluate the work of other scholars? (see p. 24)
  - ⑫ Paper has made progress since first draft, with new material, better structure, more historiographic context. A bit thin on developing an analytical voice, or concrete, factual evidence (it relies mostly on anecdotal and secondary evidence -)

(34/85)

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