NAFTA has had its trade-offs for the U.S.

Consumers and global companies benefited, but critics see pitfalls.

By Marla Dickerson
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MEXICO CITY — Four campaign seasons have come and gone since presidential hopeful H. Ross Perot warned that NAFTA would create a "giant sucking sound" of jobs going to Mexico, and the trade pact is still generating plenty of noise. Calls to renegotiate the 14-year-old deal are rising from both sides of the border.

Thousands of protesters paralyzed traffic in Mexico's capital in January to demand a redo of the pact, which they said had hurt Mexican farmers. In the U.S., the North American Free Trade Agreement looms large in states such as Ohio, which hosts a crucial presidential primary Tuesday.

The Rust Belt has shed hundreds of thousands of factory jobs since 1994, when the U.S.-Canada-Mexico trade bloc was implemented. Ohio alone had lost a net 50,000 jobs as a result of NAFTA, according to a 2006 analysis by the Economic Policy Institute in Washington. Sens. Barack Obama and Hillary Rodham Clinton, who are campaigning for the Democratic nomination, say the deal needs to be retooled to protect American workers.

"Let's get real about NAFTA. It simply isn't working for all Americans," Clinton said at a recent rally in Youngstown, Ohio. If elected, she said, she would call for a temporary freeze on new trade pacts and a thorough review of existing ones. Obama wants stronger labor and environmental provisions put into NAFTA and other accords.

Whether talk of revamping NAFTA amounts to more than election-year stumping remains to be seen. Three-way trade has soared and unemployment in the U.S. is substantially lower now than it was 14 years ago -- 4.9% in January 2008 compared with 6.6% in January 1994. American shoppers have benefited from lower prices on imported goods, and U.S.-based multinational companies have boosted their competitiveness by whittling production costs.

Yet there is growing wariness among the public that the U.S. is giving away more than it's getting. After all, the nation has lost 3.1 million manufacturing jobs since 1994, and its trade deficit with Mexico and Canada has risen to $138.5 billion last year from $9.1 billion in 1993.

Lawmakers who are critical of the Bush administration's trade policies picked up 37 congressional seats in the 2006 election, according to Global Trade Watch, a Washington-based advocacy group. Although Congress approved a free trade pact with Peru in December, pending deals with Colombia, Panama and South Korea are stalled.

It's not just Democrats who want a time out. Six in 10 Republican voters said that free trade had hurt the U.S. and that they would support tougher import restrictions, according to a Wall Street Journal-NBC News poll in October.

"We're seeing the strongest opposition to free trade expansion in recent memory," said Eric Farnsworth, vice president of the Council of the Americas, a Washington-based business group that promotes open markets in the Western Hemisphere. "NAFTA has become symbolic of the fears and apprehensions of globalization in general."

Despite promises that NAFTA would help keep Mexicans at home, illegal immigration to the U.S. has accelerated. About two-thirds of the estimated 12 million illegal immigrants in the United States have arrived since 1995, according to the Pew Hispanic Center. Many hail from rural Mexico -- casualties, critics say, of a trade deal that pitted highly subsidized U.S. and Canadian agribusiness against Mexican producers working tiny plots.

"The dimensions of the problem are finally becoming obvious," said Raul Fernandez, a professor of Chicano and Latino studies at UC Irvine. "Policymakers in the United States realize they have created a monster, and that monster is devouring them."

Free trade agreements have been the centerpiece of the Bush administration's relations with Latin America, where the U.S. has long promoted democracy, privatization and open markets as the prescription for the region's woes. Free market advocates are concerned that rising U.S. protectionism will signal a retreat from these principles just as Washington is losing influence to populists such as Venezuelan President Hugo Chavez.

Despite strong economic growth in much of Latin America in recent years, trust in market economics is declining, according to a poll released in November by Latinobarametro, a Chilean opinion research firm. Millions are frustrated that privatization and falling trade barriers have done little to mitigate income inequality.

Survey respondents in Central America were particularly downbeat, despite that region's recent embrace of the Central American Free Trade Agreement, which includes the U.S., the Dominican Republic, Costa Rica, El Salvador, Honduras, Guatemala and Nicaragua.

In a separate 2007 opinion poll, Mexicans said they disapproved of NAFTA by 2 to 1, according to the Mexico City-based polling firm Mund Americas. That's an about-face from 10 years ago, when Mexicans favored the deal by a similar ratio.

The shift reflects disappointment that NAFTA hasn't done more to transform Mexico's economy, said Dan Lund, president of Mund Americas. Although the nation's exports have soared and Mexico has attracted record levels of foreign investment, more than 40% of its citizens still live in poverty. The nation still isn't creating enough jobs to keep up with population growth.

Mexico's government oversold NAFTA to get it approved, Lund said. "It was as if everything, including adolescent acne, would be resolved."

Free trade boosters say unrealistic expectations have soured ordinary people in both countries on NAFTA. The pact, they believe, is a scapegoat for failed government policies and larger economic trends.

Although NAFTA clearly has put some American factory hands out of work, manufacturing employment has been declining since the 1970s, largely as a result of automation.

NAFTA may have pushed some Mexican farmers off the land. But experts say most illegal immigrants were pulled north by back-to-back economic booms in the United States, where they found companies eager to hire them regardless of their legal status.

Mexico's economy lags in part because it's dominated by monopolies that its government has been unwilling or unable to dismantle. Its farm sector was struggling long before NAFTA, said David Lewis, vice president of Manchester Trade Ltd., a Washington-based consulting firm specializing in international trade.

Under the agreement, the last tariffs on agricultural products were lifted Dec. 31. Although Mexico had 14 years to prepare its farmers with subsidies, technical assistance, land reform and other help, many small growers say it failed to do so. They want President Felipe Calderon to renegotiate NAFTA's agricultural chapter to restore tariffs on commodities such as corn and beans.

But his administration has opposed any such move. NAFTA backers note that some Mexican farmers have prospered under the deal: Although only about 5% do any exporting, they've been so successful at sending avocados, tomatoes and other fruit north that Mexico now runs a trade surplus in agricultural products with the United States.

Even U.S. critics of NAFTA agree that there's no turning back globalization, but they say the U.S. must get tougher in demanding equitable exchanges.

Sens. Byron L. Dorgan (D-N.D) and Sherrod Brown (D-Ohio) recently introduced legislation to make it harder to pass trade agreements unless they include a detailed analysis of what's in it for the U.S., such as how many jobs are expected to be lost or gained.

Rep. Duncan Hunter (R-Alpine) is co-sponsoring the NAFTA Accountability Act, which would require America to quit the pact unless changes are made to gird U.S. manufacturing and cut the trade deficits with Mexico and Canada.

Others want strict enforcement of labor and environmental laws in developing countries and more retraining and financial aid for workers who lose their livelihoods.

Jeff Faux, founding president of the Economic Policy Institute, thinks NAFTA requires a bigger fix. He advocates a $100-billion, U.S.-backed development fund to stimulate job growth in Mexico, similar to what the European Union did to prevent its rich nations from being flooded with workers from poorer countries such as Portugal and Greece.

He said pulling out of the deal was impossible, given the links forged by the U.S., Canada and Mexico over the last 14 years. But he added that the talk of renegotiation among U.S. presidential candidates showed how attitudes had changed since President Clinton signed NAFTA into law.

Clinton "used to say, 'If it doesn't work, let's redo it,' " Faux said. "Well, it's not working. . . . It's time to rethink the whole strategy."

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