SEVEN YEARS OF NAFTA: MYTH AND REALITY

What Nafta Supporters Said: "Our job projections reflect a judgment that, with NAFTA, U.S. exports to Mexico will continue to outstrip Mexican exports to the United States, leading to a US trade surplus with Mexico of about $7 billion to $9 billion annually by 1995." (Hufbauer and Schott, NAFTA: An Assessment, Institute for International Economics, October 1993, page 14)

Reality: "Indeed, in the first six years of Nafta, the US will have total current account net payments to Mexico of near -$118 Billion as the rest of the world has a surplus from Mexico of near $190 Billion…Comparing 1998/1999 against the two years before Nafta, 1992/1993 shows... net US payments from goods and services trade and from all current accounts worsened by $-30 Billion per year." (Dr. Charles McMillion, Assessing Nafta: What is so different about US-Mexico Trade Six Years After Nafta?", MBG Information Services, Washington, D.C., September 1999, p. 6)

What Nafta Supporters Said: Mexico will displace imports from Asia as a share of total US imports. (see, Sidney Weintraub's "Nafta at Three: A Progress Report," Washington, D.C.: Center for Strategic and International Studies, 1997)

Reality: "Unfortunately, despite Mexico's severe currency devaluation, and even before the 1997-`98 Asian financial crisis, the experience of six years has shown quite clearly that soaring US imports from Mexico, while increasing very rapidly, are not displacing US imports from Asia but are merely an even faster growing addition to those imports. In fact, since implementation of Nafta, the US has suffered the worst dollar losses in history for traded merchandise and for manufactured goods…That is, global US merchandise trade losses soared to a record -$1.3 Trillion in the first six years of Nafta." (McMillion, Ibid. p.10)

What Nafta Supporters Said: "Over the long term, the main impact of larger US-Mexican trade will be higher incomes made possible by greater efficiency and faster growth. Efficiency in both economies will be boosted by the tendency of each country to export those goods and services in which it has a comparative advantage." (Hufbauer and Schott, Ibid., p. 23)

Reality: "Trade with Mexico, as with other BEMs, is driven not by traditional efficiencies and inherent comparative advantages of national firms but by transnational firms taking advantage of tremendous cost savings, undermining smaller national firms. **Indeed, US/Mexico trade patterns are the reverse of what Nafta supporters believe**…The large US net export losses to Mexico are concentrated in autos, electronics, precision instruments, computers and components. US net export gains are largely in bulk commodities such as cereals, oil seed, organic chemicals, pulp wood and animal fats. Even the few manufactured goods with next export gains are concentrated in packing and boxes of plastic, paper and styrene destined briefly for Mexico's Maquiladoras and quickly to US consumers." (McMillion, Ibid. pp. 15,16)

What Nafta Supporters Said: "Based on the 1990 composition of trade**,** the median weekly wage associated with US exports to Mexico and US imports from Mexico were practically the same: about $420 to $425 per week. This calculation is striking because it suggests that **there is no overall tendency for US exports to Mexico to support high-skilled US jobs, nor for US imports from Mexico to displace low-skilled US jobs."** (Hufbauer and Schott, Ibid., p. 21; note: Table 16 shows that export related jobs paid $420 per week and jobs lost to imports from Mexico paid $424 per week)

Reality: "[E]ven by the calculations of Nafta's strongest supporters, in 1990 wages associated with US exports to Mexico paid -$5 per week less than jobs displaced by US imports from Mexico. Since 1990…the composition of US/Mexico trade has shifted dramatically in ways that have likely widened this disparity**. Imports from Mexico have grown faster than exports to Mexico since Nafta implementation, indicating a force of downward pressure on wages….**[Indeed,] real compensation per hour for all US nonfarm workers was stagnant during the first four years of Nafta –even in a time of cyclical economic recovery in the US and low unemployment." (McMillion, Ibid, p. 19); [Moreover], "from 1973 to 1997… the real wages of college-educated Americans –less than 25 percent of the population – fell by 2.7 percent…Even U.S. workers with advanced degrees—a mere 7.8 percent of the workforce, according to the latest reliable figures – achieved real wage increases of only 11.8 percent from 1973 to 1997. [Also, regarding] production workers for computer integrated systems design companies… [from 1988 to the end of 1999] these workers lost nearly 30 cents in their real hourly wage – a 2 percent drop – during those 11 years.." (Alan Tonelson, The Race to the Bottom, Westview Press, 2000, p. 25,27; "In June 2000, a Commerce Department study reported that between 1992 and 1998, the median weekly earnings of computer scientists, computer engineers, and computer systems analysts rose 17.5 percent—scarcely higher than the 15.4 percent inflation rate and only matching the average weekly earnings increase for all occupations." (Tonelson, Ibid. p. 28) **Additionally, "[d]espite strong consumer demand, the US textile and apparel industry has lost –450,000 jobs over the past six years and suffered its worst trade losses in history as sharp import growth from Mexico merely adds to import pressures from Asia and elsewhere.**" (McMillion, Ibid. p.11)

What Nafta Supporters Said: "The vast majority, 80 to 90 percent [of U.S. exports to Mexico] stay in Mexico and are bought there." (Vice-President Albert Gore, "A Larry King special—Ross Perot Debates V.P. Al Gore on NAFTA," Larry King Live Transcript 961, November 9, 1993, pp.2,12)

Reality: "[E]ven with the short-lived immediate post-NAFTA spike in Mexican imports of consumption goods, such products never rose above 10 to 15 percent of Mexico's total imports. The country's total imports fell by 1.5 percent [in 1999], but intermediate goods and capital goods imports actually rose by 4.5 percent and 10.8 percent, respectively. Consumer imports fell by 18.9 percent. In other words, most U.S. exports to Mexico before, during, and since the peso crisis have been producer goods – in particular, parts and components sent by U.S. multinationals to their Mexican factories for assembly or for further processing. The vast majority of these, moreover are reexported, and most get shipped right back to the United States for final sale." (Tonelson, Ibid. p. 89)