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## Free Trade Does Not Free People

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# **Free Trade Does Not Free People**

Ernesto Porcari

5/11/18

## **Introduction**

The following paper is in attempt reveal, analyze and explain the effects the North American Free Trade Agreement specifically along the US-Mexican border region. Starting with the agreement itself, the ratification, and the elements surrounding its implementation, this paper will then move through analyzing the quantitative and qualitative effects NAFTA has had along the border region of the United States and Mexico. Taking those effects, the comparison enshrined in the title: whether free trade frees people (free as in a better life) will be tested and analyzed for a possible grading the results of NAFTA has had. Finally, the future of this legislation will be discussed for its saliency in modern politics, and its jeopardy of continuing are an interesting backdrop to the legislation itself.

## **NAFTA: An Overview of its Implementation and Key Elements**

The North American Free Trade Agreement, or NAFTA (TCLAN in Spanish); it is the central piece of international law that is being questioned in this paper. Put into effect in January 1994, the North American Free Trade Agreement or in Spanish, *Tratado de Libre Comercio de América del Norte*, brought about a sweeping economic change upon the North American continent and its peoples (NAFTA, 1994). Gone were the tariffs and trade restrictions, and in was the era of neoliberalism economics of free trade, privatization, and global capitalism. Since its passing, economists, politicians, activists, and academics have looked to it as a model for all trade, and others have demonized it, but twenty-three years later and three different US presidential administrations largely aloof of it barring its passing under the Clinton administration; NAFTA is making noise again in American politics. Both from the left and from the right, anger is rising among the American populace about the benefits, or lack thereof, when it comes to free trade. Nowhere is this debate more pertinent and loud than at the US-Mexican

border, and as to direct a more clearer focus to delving into this topic, analysis will be made on the region connecting Texas and Mexico.

NAFTA, is an agreement signed between the governments of the United States, Mexico, and Canada allowing free trade between all three member-states. Free trade removes any barriers that inhibit trade between sovereign nations, specifically the removal of tariffs (import taxes) on goods traveling between the three countries. To summarize NAFTA as a document simply removing monetized trade barriers is inconsistent with the entirety of the document, for it being trade legislation it also concerns itself with product and produce standards among many other trade related rules and regulations. The point of this paper though is not to study the details of NAFTA, but to show their effects on the border region being studied, thus enters a discussion focused on understanding NAFTA in relation to global capitalism, including neoliberalism and privatization.

The goals of NAFTA center on the continuation of neoliberal policies that had been ruling US and global politics since the administration of Ronald Regan and the corresponding global partner his administration had in the Thatcher administration. Their aims was to abolish the welfare state; being those states best exemplified in Europe today, that contain a large and well established systems of social and economic insurance, like universal healthcare, universal primary and secondary education, and a more robust and progressive tax system. With the welfare states abolition, the leaders of neoliberal thought then wanted to introduce the states involved to increased market capitalism (letting the market control itself rather than the state controlling the market) in all aspects of life, from healthcare and education, to banking and trade. . However, what are the foundations of this phenomenon we label neoliberalism? The answer lies back into the foundation of the world system after the Second World War and the rival between

two economic theorists, Hayek and Keynes. In the short term, Keynes won; his *liberal* economic values laid the foundations for the welfare states seen across Europe, and although not as advanced in its welfare foundations, the US (Metcalf, 2017). Hayek, his rival and his policies would fade from the mainstream view of political economics until the Thatcher administration took power in the United Kingdom.

The foundational premise of neoliberalism is that competition is the defining characteristic of human nature (Monbiot, 2016). Thus, there is no merit to central-state planning in the economy. There is no benefits to having taxation and governmental restrictions on commerce and finance. The individual is the sole decision making voice and any government restrictions on the decision making process (or more so the buying process) is a wrong according to the neoliberal creed. Hayek, and later the more famous Milton Freidman would go on to be the academic voices of this new creed, but their political followers would go on to shape the world we live in today. Thatcher, Regan, Blair, Clinton, Bush, and Obama all ascribe to creating governments and policies that encouraged tax cuts, privatized governmental programs, and made sure other countries and people around the planet encouraged these same practices either by market and capital control, or through threat of force.

Whether neoliberal policies should be the model for governmental policies can be delved into later, but they were the policies in play for the creation and ratification of NAFTA; and the voices supporting it go into great length about why they were the *right* policies. With the trade deal looming for confirmation, the backers cheered for the *progress* and benefits it would bring to the US, Mexican, and Canadian economies alike, all while having an underlying tone for the support of global neoliberalism. Pundits from across the country harkened to its potential to bring jobs to US workers, help the Mexican economy, and most of all boost the U.S. economy.

All the focus especially leveled on the positive effects it would bring to United States workers and their counterparts in Mexico. A pro-NAFTA pundit heralds in the Washington Post with the title, “NAFTA: Everyone Could Win” (Dunn, 1993). Again in the Washington Post, a printed debate arguing the cons and pros of NAFTA largely focuses on NAFTA’s ability (ability is highly opinionated here for supporters would claim job creation, but later those opposed will share their voices), to create thousands of jobs and millions or billions in profit (Yerxa, 1993). Commodification of the worker as another dollar sign in the statistics of world economies is what neoliberalism champions. Commodification being defined in the Marxist critique of capitalism as, “The subordination of both private and public realms to the logic of capitalism. In this logic, such things as friendship, knowledge, women, etc. are understood only in terms of their monetary value. In this way, they are no longer treated as things with intrinsic worth but as commodities.” (Felluga, 2011). Thus, the worker, a human being is no longer someone with a life, feelings, and outside needs that need to be catered too (like healthcare and social safety nets); but instead is equal to a commodity like metals or oil that is merely a dollar sign in the world market and will act as such in the world economy. When NAFTA was finally ratified, Clinton and his counterparts in Mexico and Canada succeeded in commodifying the Mexican and American worker.

Before heading straight into the overarching themes of NAFTA, its adherence to neoliberalism, the problems it has created, and the promises it set out to fulfill, an explanation of why conversing about NAFTA is suddenly relevant to today’s society. As stated before, this legislation is over 20 years old, meaning an entire generation has been born and raised within its jurisdiction, yet it is not something well known to the American public (at least on a scale to correctly state what it is/what it does). Yet its saliency is up and coming in today’s

conversation, and there are plenty of reasons why that is. Firstly, the United States as undergone a long period of deindustrialization starting from the 1950s and stretching into the 21<sup>st</sup> century in some places has left many city centers of once thriving industrial supported cities decrepit and depressed (Porcari, 2017). Adding to this, the recovery to the 2008 financial crisis has been anything but speedy, giving way to voters wanting to reject the status-quo in politics, and especially in the skepticism of free trade; enshrined in the failure of the Obama administration to garner support for his free trade deal with countries in the Pacific Rim (the Trans-Pacific Partnership). Opposition to this deal by those on the left and the right then exploded on the presidential race in the Donald Trump and Bernie Sanders campaigns, who opposed the Trans-Pacific Partnership and called for an end or renegotiation of NAFTA. This binary of having a progressive democratic socialist and a conservative nativist both pining for the end of agreements like NAFTA and questioning whether free trade is beneficial to those on the bottom is interesting nonetheless. With the advent of the Trump victory, the concerns of the conservative opposition are now brought to the table, but free trade still lies in a very unique place on the conservative-liberal political spectrum.

Norman Caulfield describes NAFTA as the capstone to Mexican elites concreting a neoliberal plan for the Mexican national economy (1998). He views NAFTA as a detrimental event for the working class of Mexico. Grievances also span pass those of the plight of the worker, including environmental concerns, but in focusing this paper on the freedom of the people, arguments presented in works such as Caulfield are more salient to the issues at hand. Many of the works cited for this paper contain the necessary background information and attitudes toward NAFTA, along with the data needed to show the correlation between free trade, and the freedom of the people living along the border. The criticisms are many, and they largely

are mirrors of the speculative nature that the economists relied on in projecting the outcomes of NAFTA. Thus, why does NAFTA not “free” people when it enacts a broad corporate plan of free trade across the US and Mexico? Would fewer restrictions on imports mean cheaper goods for the common consumer as trade facilitates more products shipping at lower costs? This is the main argument of who to support the trade agreement, but looking at a range of statistics can show how maybe a cheaper product is not always the best option for the everyday consumer.

Measuring just how “free” a person is not something that can be done in a quantitative manner. Anyone can possibly take a multitude of factors that a person has or is effected by and then create a gauge whereby one can judge freedom, but when it comes down to the actual idea of what freedom is or should be is objective to its core. What I am thus trying to get at that, when talking about NAFTA and how it does or not make people “free” when in relation to the freedom from restrictions trade it sets up, I want to do so in a manner that “freedom” is seen as the goal, and NAFTA fails in that objective horribly. I describe freedom as an access to a “better life”, and this better life should entail a decrease in the qualms that hurt society: poverty, racism, greed. While having an increase in all aspects of societal life: greater financial stability, more social safety nets and instructions, a reduction in racism and growth in multiculturalism. Thus, analyzing the effects NAFTA has had on the US and Mexico, and more specifically the border region between the two, freedom does not seem to be increasing at all.

At first glance, NAFTA’s positive industrial and economic benefits are clear. Trade between Mexico and the United States has skyrocketed past pre-enacting levels (1994). According to a comprehensive report on the border region, “After NAFTA, U.S.-Mexico trade flowing through existing border land ports grew vastly from \$71 billion in 1995 to \$255 billion in 2010. At the local level, it is estimated that an increase of 10% in maquiladora activity in



Mexican border cities has led to an increase in employment in U.S. border cities with the expansion of wholesale trade (2.1-2.7%), transportation (1.7-2.1%) manufacturing (1.2-2.1%) and retail trade (1.0-1.8%)” (Wilson Center, 2015). NAFTA has greatly increased the economic output that trade affords the economies of the United States and Mexico, stats at the local level show similar finds. Thus, it would seem NAFTA achieved what it set out to do, increase economic activity and trade between the member states, but with that, it promised an increase in standard of living and life, which does not seem to be the case. If this paper purely assessed NAFTA as an economic phenomenon, then success would be a probable rating; but leaving out the social and other effects of NAFTA is just staying on the side of those who put it into lace, commodifying the workers and people who live under it without regard to their actual situations. Free trade in fact *did* lead to more trade, or purely economic stimulus for the three participating countries, but at what cost to the inhabitants of the region most effected by the daily traffic of over a billion dollars’ worth of goods (Wilson Center, 2015)?

### **The Borderlands of Texas and Mexico: NAFTA in Practice**

Billions of trade profit has been created due to NAFTA, this is undeniable, and trade figures are not the only figures that have increased since the passing of NAFTA. So too has the population and industry of the border region. Growing faster than the national average in either country, between 2000 and 2010 the combined population the U.S. border counties and Mexican *municipios* increased by 19.2% and this population will double in about 35 years, with most of the growth occurring in mid-size and large urban conglomerates (Wilson Center, 2015). More people in the area means more development, more opportunities, and more investment in building the facilities and infrastructure needed to house, transport, and service the rise in population. Yet, when looking at the summaries of life in the border counties of both Texas and

Mexico this does not seem to be the case, people have not seen some utopian rise in living standards that one would assume can happen with the amount of money and goods flowing through the region. Overall, economic opportunity along the border is characterized by low wages; the dominant industries in the region are service-sector jobs, including labor-intensive manufacturing and agriculture. Particularly on the Mexican side, manufacturing typically does not require highly skilled labor and pays relatively low wages. Furthermore, the salary gap (this means the difference between average salaries people make) between Mexico and the U.S. has remained unchanged during the decade (Wilson Center, 2015; Alvarado, 2008). This means that although economic activity and salaries might have gone up, equality in wages has not been achieved and the situation has remained stagnant. Texas has actually seen an increase in people living below the poverty line since 2000 to 2010, and in Mexico only a slight decrease has happened over the same period (Wilson Center, 2015). Infant mortality rates in these border areas are still staggeringly high for any developed nation, thus pointing to a fallacy in believing that an increase in population and economic activity directly corresponds to a better life (Wilson Center, 2015).

People feel the social reverberations too. If NAFTA's aim was to economically limit the inherent restrictions the border, one would hope that transnational cooperation would increase, that people would be open in working with their neighboring country. Yet, the rise of right wing populism, which directly attacks NAFTA, puts that idea into jeopardy. Populism is a political term used to describe movements that enshrine a sense of the general populace needing to unite against corrupt or oppressive elite (Malloy, 2018). Populists can be on either side of the political spectrum, but generally, the term is used for those sitting on the far side of the political spectrum: Bernie Sanders, Jeremy Corbyn, the *Podemos* party in Spain on the far left, and other like

Trump, and anti-immigrant parties in Europe on the far left. Right wing populism in the United States has taken up a renewed mantle of increased nationalism, a distrust in governmental institutions, and a dislike for international agreement like NAFTA. This then ties into the fact that there has been an increase in the lack of trust to foreigners in Mexico since the enacting of NAFTA (Wals, 2015). This then all plays into my focus that barriers for the goods and for the money were removed from these communities and despite the influx of economic abilities, the money has not drastically increased their wellbeing. How can free trade possibly help people if the money can pass through the border but the people cannot? How can free trade help if the money goes straight to corporate pockets and not reinvested on a social wellbeing platform to the people who live and work in the environment creating these profits?

### **The Future of NAFTA**

We now stand at a present crossroads for the future of this agreement, whether the Trump administration's motives are ones purposefully aimed at correcting the wrongs of NAFTA in a bottom up perspective, or are merely aimed at helping those at the top economically is up for debate. The current statement from the administration does not seem to be directed towards changing poverty levels, wages, infant mortality rates or the general well-being of the people living in the border region between the U.S. and Mexico. The official statement instead focuses on things like trade deficits and increased access to markets for US businesses across all industries. A small quote from Trump's trade representative is as follow, "Through the renegotiation of NAFTA, the Trump Administration will seek a much better agreement that reduces the U.S. trade deficit and is fair for all Americans by improving market access in Canada and Mexico for U.S. manufacturing, agriculture, and services....We will seek to address America's persistent trade imbalances, break down trade barriers, and give Americans new

opportunities to grow their exports. President Trump is reclaiming American prosperity and making our country great again.” (USTR, 2017). This highlight is dominated by markets, trade deficits, exports, and other economic and capitalist themes; nowhere is there a goal presented about breaking down social barriers between the people of Mexico and the U.S. nor focus being given to improving working conditions, wages, and social institutions.

The people along the border of the United States and Mexico do not need a greater interjection of capitalism if it does not come with a new goal of breaking down the physical and ideological barrier between the two nations. Although this paper’s goal is not to introduce legislative steps and ideas to fix the problem of NAFTA, instead only show these problems, the question of freeing people is integral to this paper. Freeing the people on the border, would require people to be able to move and follow the benefits of their capital, to remove travel restrictions across the border, and enshrining some ideas of the Chicano movement. *Chicanismo* is the ideology championed by Latinos in the Southwest to combat their state of nationless: too American to be Mexican, too Mexican to be American; and the rift that separates their identities is the hard scar of the border, breaking this down could lead to a better deal than continuing the focus of economics over people.

## **Conclusions**

The North American Free Trade agreement is one of the largest, most onerous, most bureaucratic, and most Neo-Liberal free trade agreement in place on the planet; and studying it and its effects would and can take a lifetime. One could study its effects from the small, to the large, from the political to the economic to the social to the philosophical and still not be able to grasp the effects it has on modern society in completion. However, the study presented before this audience does not aim at grasping the entirety, but instead it aims to study its effects on an

area that has great saliency in today's day and age. When looking at the Texan-Mexican Border, there is a long and arduous history that continues to change each day, and since NAFTA, it has changed in ways so important, the call for study and research is necessary. To transition to a world dominated by bottom up politics, politics that work for the working class, those who have been downtrodden by the global Neo-liberal elite, we first must study the effects and outcomes trade deals like NAFTA have created. No better place to witness these effects than at the epicenter of NAFTA- the US-Mexico border; and studying the border and how NAFTA constructs this border and the macro-effects this has on the working class populace will allow policy makers and researchers alike to transition the thoughts of working class people, and academics to a world that moves away from the horrible institutions of Neo-liberalism and deconstruct the archaic legitimacy of borders around the world.

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