NAFTA's 6 Negative Effects

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Disadvantages of NAFTA

NAFTA has six weaknesses. First and foremost is that NAFTA made it possible for many U.S. manufacturers to move jobs to lower-cost Mexico. The manufacturers that remained in America lowered their wages to compete in those industries. For these reasons, Donald Trump promised to renegotiate NAFTA or withdraw.

The second disadvantage is that U.S.-subsidized farm products put many of Mexico's farmers out of business. NAFTA provisions for Mexican labor were not robust enough to prevent those workers from being exploited.

1. U.S. Jobs Were Lost

Since labor is cheaper in Mexico, many manufacturing industries moved part of their production from high-cost U.S. states. Between 1994 and 2010, the U.S. trade deficits with Mexico totaled $97.2 billion, displacing 682,900 U.S. jobs. But 116,400 losses occurred after 2007. The 2008 financial crisis could have caused them instead of NAFTA.

Nearly 80% of the losses were in manufacturing. The hardest-hit states were California, New York, Michigan and Texas. They had high concentrations of the industries that moved plants to Mexico. These industries included motor vehicles, textiles, computers, and electrical appliances. (Source:"The High Cost of Free Trade," Economic Policy Institute, May 3, 2011.)

2. U.S. Wages Were Suppressed

Not all companies in these industries moved to Mexico.

The ones that used the threat of moving during union organizing drives. When it became a choice between joining the union or losing the factory, workers chose the plant. Without union support, the workers had little bargaining power. That suppressed wage growth. Between 1993 and 1995, 50 percent of all companies in the industries that were moving to Mexico used the threat of closing the factory.

By 1999, that rate had grown to 65 percent.

3. Mexico's Farmers Were Put Out of Business

Thanks to NAFTA, Mexico lost 1.3 million farm jobs. The 2002 Farm Bill subsidized U.S. agribusiness by as much as 40% of net farm income. When NAFTA removed trade tariffs, companies exported corn and other grains to Mexico below cost. Rural Mexican farmers could not compete. At the same time, Mexico

reduced its subsidies to farmers from 33.2 percent of total farm income in 1990 to 13.2% in 2001. Most of those subsidies went to Mexico's large farms. (Source: "Exposing the Myth of Free Trade," International Forum on Globalization, February 25, 2003. "Tariffs and Tortillas," The Economist, January 24, 2008.)

4. Maquiladora Workers Were Exploited

NAFTA expanded the maquiladora program by removing tariffs. That's where U.S.-owned companies employed Mexican workers near the border. They cheaply assembled products for export back into the United States. The program grew to employ 30 percent of Mexico's labor force. The workers had "no labor rights or health protections," according to Continental Social Alliance. In addition, the"workdays stretch out 12 hours or more, and if you are a woman, you could be forced to take a pregnancy test when applying for a job," .

5. Mexico's Environment Deteriorated

In response to NAFTA competitive pressure, Mexico agribusiness used more fertilizers and other chemicals, costing $36 billion per year in pollution. Rural farmers expanded into marginal land, resulting in deforestation at a rate of 630,000 hectares per year. (Source: "NAFTA's Promise and Reality," Carnegie Endowment, 2004.)

6. NAFTA Called for Free U.S. Access for Mexican Trucks

Another agreement within NAFTA was never implemented. NAFTA would have allowed trucks from Mexico to travel within the United States beyond the current 20-mile commercial zone limit.

A demonstration project by the Department of Transportation (DoT) was set up to review the practicality of this. In 2008, the House of Representatives terminated this project. It prohibited the DoT from implementing it without Congressional approval.

Congress worried that Mexican trucks would have presented a road hazard. They are not subject to the same safety standards as U.S. trucks. U.S. truckers' organizations and companies opposed it. Otherwise, they would have lost business. Currently, Mexican trucks must stop at the 20-mile limit and have their goods transferred to U.S. trucks.

There was also a question of reciprocity. The NAFTA agreement would have allowed unlimited access for U.S. vehicles throughout Mexico. A similar arrangement works well between the other NAFTA partner, Canada. But U.S. trucks are larger and carry heavier loads. That violates size and weight restrictions imposed by the Mexican government.