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## **Despite Significant Texas Job Losses From NAFTA, Rep. Henry Cuellar (D-Texas) Casts a Deciding Vote for Expansion of NAFTA to Central America**

### ***Public Citizen Launches CAFTA Damage Report to Track Results of Misguided CAFTA Votes***

WASHINGTON, D.C. – The North American Free Trade Agreement (NAFTA) resulted in the net loss of 72,257 jobs in Texas alone.<sup>1</sup> Despite the stark evidence of the NAFTA model's threat to working people in his district, Rep. Henry Cuellar (D-Texas) cast a decisive vote for the Central America Free Trade Agreement (CAFTA), an expansion of NAFTA to six additional nations. CAFTA eked through the U.S. House of Representatives on July 27 by a 217-215 vote. Had Cuellar opposed CAFTA, it would have been rejected on a 216-216 tie vote.

Because CAFTA is projected to expand the disproportionately negative impacts of NAFTA on U.S. Latino workers and wage levels and will impose on millions of Central Americans the same kind of damage that NAFTA caused many Mexicans, the Congressional Hispanic Caucus, of which Cuellar is a member, voted to oppose CAFTA.<sup>2</sup> Cuellar's support for CAFTA was unusual since only three of the Congressional Hispanic Caucus' 21 members and 15 of the House of Representative's 202 Democrats supported the controversial NAFTA expansion. The Central American Council of Churches, numerous Central American Catholic bishops and leading U.S. Latino civil rights organizations, such as the League of United Latin American Citizens (LULAC), urged Congress to reject CAFTA.

In announcing his support for CAFTA, Cuellar said, "My support for [CAFTA] is about one thing: jobs for the people here in Texas."<sup>3</sup> However, CAFTA is simply an expansion of a trade model that has already proven to have disastrous effects on Texas and on Cuellar's 28<sup>th</sup> District in particular. Since the beginning of NAFTA in 1994, 3,323 workers in the 28<sup>th</sup> District have been certified for just one narrow government program because they lost their jobs to NAFTA,<sup>4</sup> and this number represents only the small percentage of workers who could meet the difficult qualifications for this program. Under NAFTA, which CAFTA would expand further, Texas lost nearly one in 10 of its manufacturing jobs, or about 76,700 jobs.<sup>5</sup>

"The gallows humor in Washington about Cuellar's support for CAFTA is that either he decided he wanted a one-way ticket home because he did not enjoy being in Congress or that he forgot that his constituents in Texas, not the Washington, D.C., corporate lobbyists, must re-elect him," said Lori Wallach, director of Public Citizen's Global Trade Watch. "While Cuellar claims to care about jobs and economic prosperity for his constituents, he turned his back on them with his vote for CAFTA and turned his back on the tens of thousands of Texans who have lost their jobs or faced wage cuts because of the flawed trade model that CAFTA expands. Lots of angry people in his district are questioning why Rep. Cuellar so dramatically abandoned them and wonder how he can ever be trusted to represent their interests if he went wrong on such a fundamental vote."

The Congressional Hispanic Caucus' opposition to CAFTA, the first time the caucus has taken a position on a trade agreement, was based on the disproportionate damage the NAFTA model had done to Latino workers in the United States and the widespread economic and social disruption NAFTA has caused in Mexico. During NAFTA, the U.S. manufacturing sector lost almost one in six jobs, or about 3 million jobs, since its most recent

peak level.<sup>6</sup> U.S. Latino workers have been some of the hardest hit. In 1999, an astounding 47 percent of the total number of workers who received federal assistance under a program for workers certified as having lost jobs as a direct result of NAFTA were Latino.<sup>7</sup> In contrast, Latinos accounted for 12.5 percent of the U.S. population in 2000.<sup>8</sup> The economic fallout in the United States has been concentrated in the western and border regions of the United States, especially in areas such as Cuellar's district, where trade-sensitive local industries, such as the textile and apparel industries, have heavy concentrations of Latino workers.<sup>9</sup>

The NAFTA model caused Mexico to suffer many negative economic effects that CAFTA is projected to wreak on the Dominican Republic and the five Central American nations included in the pact. Under NAFTA, sharp cuts in Mexican farm subsidy programs combined with the near-elimination of import restrictions on corn and other commodities resulted in dumped U.S. corn flooding the Mexican market, forcing more than 1.3 million *campesinos* (peasant farmers) whose livelihoods were based on small-scale farming off of their land.

CAFTA contains the same farm provisions; however, a significantly greater share of Central American residents' livelihoods are based on farming. Central American countries already have undergone decades of deepening rural poverty – a trend that will likely worsen under CAFTA. Nearly half the CAFTA target countries' populations live in rural areas, of which 64 percent live in poverty, compared to 59.9 percent in 1980.<sup>10</sup> Furthermore, 60 percent of Central America's poor live in rural areas.<sup>11</sup> Oxfam predicts that up to 1.5 million people who rely on the Central American rice industry for their livelihood could face displacement under CAFTA.<sup>12</sup>

Under NAFTA, instead of the precipitous fall in prices paid to Mexican farmers for their crops resulting in falling retail prices for food for Mexican consumers (as "free" trade theory predicts), staple food prices increased sharply and hunger increased. Since NAFTA, a combination of factors – including the migration to the cities of so many Mexican *campesinos* who lost their farms to NAFTA – caused real Mexican industrial wages to decline by approximately 10 percent.<sup>13</sup> The proportion of Mexican workers eking out a living in the informal economy has climbed steadily as many displaced *campesinos* have been unable to find work in the shrinking Mexican manufacturing sector.

An estimated 28,000 small- to medium-sized Mexican businesses also were destroyed<sup>14</sup> as NAFTA's service-sector rules – rules that CAFTA also contains – guaranteed access for the Wal-Mart's and other mega-retailers that have undercut local small shoe, candy and toy manufacturers and small retailers with their cut-price goods imported from China. Despite promises by NAFTA proponents that the agreement would stabilize Mexico's economy and therefore lower immigration levels, unauthorized immigration from Mexico to the United States is estimated to have increased sharply – more than doubling between 1990 and 2000, with the majority of the growth seen after NAFTA's implementation.<sup>15</sup>

"If CAFTA is enacted, we fear that we will be trying to stem a tide of desperate undocumented immigrants. The proof lies in the results stemming from the North American Free Trade Agreement, which has more than doubled undocumented immigration from Mexico since its enactment," a LULAC spokesperson said.<sup>16</sup>

U.S. border congressional districts, including Cuellar's, will bear the brunt of the increased Central American immigration that CAFTA is expected to cause.

To track the damage that Cuellar's misguided vote will inflict on his constituents, Public Citizen is launching the *CAFTA Damage Report*, a publication that will monitor CAFTA's effect on working families, consumers and the environment in the United States and the other CAFTA countries. The *CAFTA Damage Report* will be regularly updated and available at [www.tradewatch.org](http://www.tradewatch.org). Among the issues and questions the *CAFTA Damage Report* will address:

- **How CAFTA affects job opportunities and wage levels for U.S. Latino workers and Central American immigration trends:** While the U.S. economy's export growth after NAFTA resulted in the creation of new jobs, millions more manufacturing jobs were lost simultaneously to increased imports and direct relocation of

plants from the United States to Mexico where wages for production workers in manufacturing were 14.5 percent of those in the United States – \$2.40 versus \$16.44.<sup>17</sup> As Levi Strauss cut nearly 1,600 jobs in San Antonio due to shifts in production to and increased imports from Mexico,<sup>18</sup> these and other laid-off workers in the 28<sup>th</sup> district had to find new jobs in the lower wage service sector – with a related drop in their standard of living as Texas wages remained essentially stagnant since NAFTA was signed. Many have had to do with no job at all for long stretches of time, as nearly one in five people in Texas are considered among the long-term unemployed.<sup>19</sup> The *CAFTA Damage Report* will track the U.S. quality-of-job and wage trends following CAFTA. CAFTA’s effects on Central America’s rural economy and related trends of immigration from Central America to the United States will also be tracked, with special focus on the implications for key congressional districts, such as Texas’ 28<sup>th</sup>.

- **Why was Cuellar so easily misled regarding CAFTA’s labor provisions?** While many of Cuellar’s colleagues raised issues with CAFTA’s weak labor agreement, Cuellar believed that CAFTA would “give us the opportunity to closely monitor labor conditions abroad and ensure they [sic] are being held to the highest standards.”<sup>20</sup> Unfortunately, the CAFTA labor agreement requires countries only to enforce their *existing* laws. Several independent studies of CAFTA nation’s labor standards by the International Labor Rights Fund, a nonprofit research group commissioned by the Bush administration’s Department of Labor to investigate Central American labor conditions, found that the labor standards in CAFTA countries were abysmal.<sup>21</sup> The International Labor Organization (ILO) found 27 ways in which CAFTA countries’ laws violated core ILO labor standards.<sup>22</sup> Indeed, the independent labor unions in the Dominican Republic and Central America opposed CAFTA because it would *roll back* labor standards already in effect under existing U.S. trade law with these countries called the Caribbean Basin Initiative, which requires countries to bring their labor laws to ILO standards or risk losing their duty-free trade privileges. Given that this rollback of existing labor standards caused the free-trade New Democratic Coalition to come out against CAFTA, the Bush administration was expected to offer promises of major aid to the CAFTA countries for labor rights improvements to try to provide cover for the few remaining undecided Democratic lawmakers. However, the administration ultimately promised only to provide \$40 million per year for labor and environmental capacity-building in the six affected nations. The actual funding behind this promise has not been appropriated in the Senate spending bills, nor does such a commitment appear in the CAFTA’s implementing legislation, much less the CAFTA text itself. However, even if \$40 million per year were to appear, \$6 million per CAFTA country per year for labor *and* environmental capacity-building has been dismissed by development experts in the United States and Central America as insultingly inadequate.<sup>23</sup> For example, \$10 million is set aside in the recently signed highway bill for the construction of a three-mile highway bypass around central San Marcos. If it takes \$10 million to pay for three miles of new highway, it is ridiculous to think that a mere \$6 million could substantially improve both labor and environmental conditions in an entire country.
- **Did Cuellar receive pork barrel promises for his CAFTA vote?** Given the lasting damage that CAFTA will cause to Cuellar’s constituents, the *CAFTA Damage Report* will seek to unearth and reveal the promises Cuellar may have received from the White House or Republican House leaders for short-term funding for projects. Rep. Charles Rangel (D-N.Y.), the ranking member of the House Ways and Means Committee, said of Cuellar, “He gave me his personal assurances that if I helped this president [on CAFTA], that this president would be there for me. [...] He said he knew this from personal experience.”<sup>24</sup> Knowing that such assurances and promises prove elusive, and even when followed through on provide only one-time “good news” to share with constituents in contrast to a bad trade agreement’s lasting damage, most members of Congress did not buy into such tactics, but it appears Cuellar may not have been so wise.

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**Background:** Public Citizen’s Global Trade Watch has studied over 90 deals taken by members of Congress for trade votes during the period 1992-2004, and found that over 80 percent of promises on such deals were not kept or were reversed by subsequent events. We divided these deals into pure pork barrel promises, of which 70 percent were broken; and ameliorative policy fix promises, of which 90 percent were broken. For our full report, “Trade Wars – Revenge of the Myth: Deals for Trade Votes Gone Bad,” please visit <http://www.citizen.org/documents/tradewars.pdf>.

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- <sup>1</sup> Robert E. Scott and David Ratner, "NAFTA's Cautionary Tale: Recent History Suggests CAFTA Could Lead to Further U.S. Job Displacement," Economic Policy Institute Briefing Paper, July 2005.
- <sup>2</sup> "Congressional Hispanic Caucus Opposes CAFTA," Press Release, May 26, 2005.
- <sup>3</sup> Rep. Henry Cuellar (D-Texas), "Congressman Cuellar Emerges as Early Supporter for DR-CAFTA and Job Growth," Congressional press release, March 16, 2005.
- <sup>4</sup> NAFTA-Transitional Adjustment Assistance (NAFTA-TAA) program data, available on Public Citizen's Web site. These numbers cover only NAFTA-TAA certifications in San Antonio, Laredo, Seguin, San Marcos and New Braunfels, TX.
- <sup>5</sup> Bureau of Labor Statistics, Current Employment Statistics Survey, All Employees, Manufacturing Super Sector.
- <sup>6</sup> U.S. Bureau of Labor Statistics, "Current Employment Statistics," series ID CEU3000000001, extracted May 31, 2004, <http://data.bls.gov/labjava/outside.jsp?survey=ce>.
- <sup>7</sup> U.S. General Accounting Office, "Trade Adjustment Assistance: Trends, Outcomes and Management Issues in Dislocated Worker Programs," report GAO-01-59, Oct. 2000, Appendix 1.
- <sup>8</sup> "Population by Race and Hispanic or Latino Origin, for All Ages and for 18 Years and Over, for the United States: 2000," U.S. Census Bureau, 2001.
- <sup>9</sup> Bureau of Labor Statistics, "Employed Persons by Detailed Industry, Sex, Race, and Hispanic or Latino Ethnicity," *Current Population Survey* 2003, <http://www.bls.gov/cps/cpsaat18.pdf>.
- <sup>10</sup> International Fund for Agricultural Development, "Regional Strategy Paper: Latin America and the Caribbean," March 2002.
- <sup>11</sup> Centro Internacional de Agricultura Tropical, "Rural Sustainability Indicators: Outlook for Central America," August 2002.
- <sup>12</sup> Carlos Galián, "A Raw Deal for Rice Under DR-CAFTA," Oxfam America Briefing Paper, Nov. 2004.
- <sup>13</sup> Carlos Salas, "Highlights of Current Labor Market Conditions in Mexico," Global Policy Network Country Brief, April 2003.
- <sup>14</sup> Jose María Imaz, "NAFTA Damages Small Businesses," *El Barzon* (Mexico City), Jan. 1997.
- <sup>15</sup> See John Audley et al., "NAFTA's Promise and Reality: Lessons from Mexico for the Hemisphere," Carnegie Endowment for International Peace report, 2004, p. 40.
- <sup>16</sup> "LULAC passes resolution opposing CAFTA," *San Antonio Business Journal*, July 16, 2004.
- <sup>17</sup> AFL-CIO, "NAFTA's Seven-Year Itch: Promised Benefits Not Delivered to Workers," AFL-CIO Briefing Paper, 2001, at 6.
- <sup>18</sup> NAFTA-Transitional Adjustment Assistance (1994-2002) program data, available on Public Citizen's Web site.
- <sup>19</sup> Lawrence Mishel, Jared Bernstein, and Sylvia Allegretto, *The State of Working America 2004/05*, (Washington, DC: Cornell University Press, 2004), at 360 and 372.
- <sup>20</sup> Rep. Henry Cuellar (D-Texas), "Congressman Cuellar Emerges as Early Supporter for DR-CAFTA and Job Growth," Congressional Press Release, March 16, 2005.
- <sup>21</sup> Larry Margasak, "U.S. Blocked Release of CAFTA Reports," *Associated Press*, June 29, 2005.
- <sup>22</sup> "Fundamental Principles and Rights at Work: A Labour Law Study – Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua," International Labor Organization, 2003; and "Fundamental Principles and Rights at Work: A Labour Law Study – Dominican Republic," International Labor Organization, 2004.
- <sup>23</sup> Jeff Vogt, "Bingaman 'Deal' Is No Deal at All," Washington Office on Latin America Memorandum, July 14, 2005.
- <sup>24</sup> Josephine Hearn, "Reverberations From CAFTA Vote Are Still Being Felt on Hill," *The Hill*, August 3, 2005. Cuellar denied making this remark through a spokeswoman, saying "...that statement is patently false."