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## The Free Trade Agreement Won't Stem the Tide of Immigration

By Harold Gilliam

There is politically correct but pragmatically dubious way to minimize the flow of immigrants into the United States: Simply remove the magnet that attracts the immigrants, the enormous gap between affluence in the United States and poverty in the developing world, where most of the immigrants come from. The gap could be eliminated by lowering U.S. living standards, which almost nobody wants, or raising the incomes of developing countries.

In the long run the argument to close the gap has some merit, but how long is the long run? How many years -- or generations -- would it take to narrow the affluence gap until potential immigrants are no longer attracted to the United States? And how could it be accomplished?

NAFTA, the proposed North American Free Trade Agreement, approved by the Bush Administration but not yet ratified by the Congress, has been touted as a step in that direction. It would remove trade barriers between Canada, the United States, and Mexico. Get rid of tariffs or duties on Mexican goods imported to the United States and American goods going south, the argument goes, and you make it far more attractive for U.S. entrepreneurs to build plants in Mexico, employing local workers who would then be unlikely to migrate to the United States. Those workers would buy more U.S. goods, stimulating employment here.

That's the argument. It relies on classical economic theory, which unfortunately doesn't always work the way seminal free-market economist Adam Smith thought it should.

The method has been tried on a pilot basis by creating free-trade zones south of the border, around Tijuana, for example. the maquiladora enterprises. The returns are not all in, but scores of American manufacturers have moved their operations south of the border to take advantage of low, Mexican wages (and fewer environmental regulations), leaving behind idle plants and unemployed workers in the United States, many of them recent immigrants.

It's hard to blame the manufacturers for trying to minimize their expenses. A typical case is the maker of plumbing equipment in Los Angeles who was paying his workers \$6 per hour but decided to relocate across the border in Tijuana, where he pays \$1 per hour to Mexican workers and sends his products back across the border -- without paying duties -- at a better profit. Adam Smith-wise, the Mexican workers should then be able to buy U.S. goods and thereby stimulate re-employment of the workers fired in

Los Angeles.

Some NAFTA backers maintain that free trade would so increase the Mexican imports from the United States that 130,000 jobs would be created here. That argument is hard to follow. How many U.S. goods would the \$1-an-hour workers be able to buy? In time their wages might rise, but in how many years and by how much? We can only speculate.

Meantime it is understandable that Latino Californians in large numbers have participated in demonstrations against NAFTA, fearing that their employers would relocate south of the border, leaving them jobless. As the Wall Street Journal pointed out, opposition to NAFTA is rising, largely from a broad, growing grassroots movement consisting of labor unions, environmentalists, consumer groups and farm organizations under the umbrella Citizen Trade campaign.

Environmentalists fear that NAFTA's free-trade policy, like that of GATT (the General Agreement on Tariffs and Trade, a sort of a global NAFTA), would undermine U.S. environmental standards. They cite a GATT ruling claiming the U.S. Marine Mammal Protection Act (which prohibits import of tuna caught by methods that kill dolphins and other marine mammals is a "trade barrier" illegal under GATT>

Under NAFTA the United States could not limit imports of a product because of the way it was produced, such as the use of giant drift nets that destroy legions of marine life. The United States prohibits certain carcinogenic additives and pesticide residues in food to be sold here; NAFTA critics claim that for imported food these laws would have to be weakened to be consistent with NAFTA's lower standards.

Mexico has legal environmental requirements, but an investigation by the GAO in August found that not a single U.S.-owned plant inspected in Mexico was complying with even those lower standards, which are simply not enforced owing to the government's inability to pay for inspections and follow-up. U.S. manufacturers at home, held to higher standards, would suffer a competitive disadvantage, inducing them to move south, leaving idle factories at home.

These, whatever their merits, are some of the environmental arguments against NAFTA as it stands. It is encouraging the President Clinton has decided to review these objections before asking the Senate to approve the treaty.

In any case, there is room for serious doubt that NAFTA would do much to stem the flood of immigration. ■