Benefits of Free-Trade Pact Bypass Texas Border Towns

BY SAM HOWE VERHOVEK

EL PASO — Four years after the North American Free Trade Agreement lowered trade barriers, the cities along Texas’ long border with Mexico that had hoped to benefit are instead struggling to become more than glorified truck stops as they watch their manufacturing jobs go south by the thousands.

Almost everywhere else in the United States, the economy is booming; the national unemployment rate is the lowest in nearly 30 years. In Texas university towns like Austin and College Station, employers complain of deep labor shortages.

But along the border, unemployment persists at two and three times the national rate, and incomes remain far below state and national averages. Though the trade agreement, Nafta, has created jobs in the warehouses and truck depots that line the highways, free trade has moved thousands more low-skill, low-wage factory jobs — a mainstay of the border economy — across the Rio Grande.

“This whole free-trade thing turned out to be for the big companies, not the little guy,” Ricardo Granado, the manager of the TeMex Money Exchange in Brownsville, said recently as trucks bearing goods from Mexico roared past after crossing the Rio Grande.

Over the last few years, clothes makers like Levi Strauss & Company, Wrangler, Lee and Tex-Mex Apparel have put thousands of El Pasoans out of work.

Refugio Arrieta lost her job as a pocket stitcher two years ago when the Tex-Mex factory moved its 150 jobs to Mexico. She is among 10,000 workers in El Paso who the Labor Department says have lost jobs because of Nafta, the most anywhere in the United States.

“I feel like the economy of El Paso is leaving so many of us behind,” said Ms. Arrieta, who has no high school diploma. “We have been written off.”

Workers like Ms. Arrieta, who is struggling to learn English while in a retraining program to be a nurse’s assistant, are at the center of the problem facing border cities that once marketed themselves as sources of cheap labor.

Now that those kinds of jobs are being lost to Mexico, the cities realize they must attract better-paying, higher-skill jobs. But the work force, swelling with poor Mexican immigrants, is ill-equipped for them. One economic study has warned that the border, with 3 of the nation’s 10 fastest-growing metropolitan areas, faces a future of “growth without prosperity.”

Nathan Christian, the chairman of the Greater El Paso Chamber of Commerce, said that business leaders this year identified retraining workers as by far the region’s top need.

“We’re not a Silicon Valley and we’re not close to being a Silicon Valley, but we can compete for high-tech jobs,” said Mr. Christian, who is chief executive of Norwest Bank.

With a large young work force and a low cost of living, the area interests many corporations as a manufacturing base, he said.

“Basically,” Mr. Christian said, “these companies say if you can give us a labor base with adequate skills, if you provide us with that, we would make you our first choice to locate.”

When Nafta took effect, many communities hoped it would somehow bring prosperity. A study sponsored by business groups in El Paso, for example, predicted the city would become a banking and commerce center for Mexico like Hong Kong is for China.

But most of the big deals still seem to be made in Houston or Dallas, just as in Mexico they are made in Mexico City or other financial centers. At the same time, with tariffs removed, workers watch their jobs freely cross to cities like Ciudad Juárez, where wages are far lower.

Some experts say that as more of Nafta’s provisions go into force — as Mexican truckers, for example, gain the right to cross the Rio Grande and drive all the way to Michigan — the border will suffer even more.

“The border becomes irrelevant,” said Bernard L. Weinstein, a professor of applied economics at the University of North Texas. “And unless it figures out some way to replace the jobs that came from the indigenous activities that used to be associated with being a border town, then things get worse.”

With the border mined in poverty, many people are angry, suspecting that once again the border matters to the rest of the country, if at all, as a remote buffer zone. The region has long resented that its cities have been made militarized zones in the war against illegal immigrants and drugs, their boundaries marked by razor wire, their neighborhoods patrolled by immigration officers.

“The border never seems to thrive, and it’s designed that way,” said Raymond C. Caballero, an El Paso lawyer. “The border is being used by the state of Texas, and has been for a long time.”
That anger came across in a recent editorial in The El Paso Times, the daily newspaper here, that called for an end to price support for tobacco farmers.

"Tobacco farmers should start facing free-market principles," the editorial said. "After all, these are the same free-market principles that have ruthlessly gutted the city's garment industry."

A Rich History

Sharing Culture
Over 4 Centuries

The border region has a fabled history, perhaps most famously in El Paso, with its striking desert landscape below the Franklin Mountains and its four centuries of shared culture, commerce and conflict with Ciudad Juárez, across the Rio Grande.

The sister cities are often described as the most dramatic meeting anywhere of first world and third.

The drama has nourished a vibrant sense of self and place.

"There is something very unique about the border," said Dr. Abraham Verghese, the author of "My Own Country" and a professor of medicine at the Texas Tech Health Sciences Center. "There are so many different mythologies that come together here: the Spanish conquistadors, the Aztec Indians, the Billy-the-Kid West."

The ease with which people can cross the border offers constant reminders that two very different worlds are side by side, Dr. Verghese said.

But the border has never fully marched to the beat of the American economy.

"Our Southern frontier is not simply American on one side and Mexican on the other," Tom Miller observed in his book, "On the Border." "It is a third country with its own identity."

And in El Paso, the busiest border crossing in the world, there is a clear feeling that the American side may no longer be getting the better part of the deal.

Since 1994, the foreign-owned factories just inside Mexico, known as maquiladoras, have added 220,000 jobs, a 60 percent increase. In these plants, workers assemble foreign-made goods that are shipped back to their country of origin with duty assessed only on the value added to the product. Ciudad Juárez, a city of 1.3 million, boasts a lower unemployment rate than El Paso, and at least 20,000 El Pasoans commute to jobs there.

Ciudad Juárez's largest employers are corporations including General Motors, Ford and United Technologies. El Paso's largest are two public school districts and Fort Bliss.

All along the American side of the border, communities are trying to broaden their employment base. Several cities are establishing funds for retraining workers, aiming for jobs paying at least $10 an hour.

Last year, even as the State Legislature in Austin was approving a billion-dollar statewide tax cut, voters in McAllen, in the Lower Rio Grande Valley, where per capita income is only $11,478, less than half the national average, raised their sales tax half a cent to start a human development fund.

Other initiatives have a plaintive air. In the Rio Grande Valley, corporate leaders began "Project Come Home" to encourage young people to return from college - and to convince potential employers that a skilled work force will be available.

"For years, parents have been telling their kids that in order to obtain a good job, they must leave the Valley," said Keith Patridge, executive vice president of the McAllen Economic Development Corporation. "Well, this is changing."

But the challenges to lure employers are daunting. While El Paso's schools are well-respected, many students have poor English skills. Drop-out rates are high, and many adults lack high school diplomas.

A study released recently by the National Institute for Literacy found that the border had some of the highest illiteracy rates in the United States.

Nafita Casualties

Bearing a Burden
Without Benefits

Workers who can show they lost jobs because an employer left for Mexico are eligible for Transitional Adjustment Assistance, or T.A.A., which provides up to $7,500 for retraining. More than 10,000 such "Nafita casualties" are signed up in El Paso. But the idea that such a sum might quickly make high-tech experts of workers who have spent their lives stitching blue jeans is dismissed by many people.

"What T.A.A. promised was that it was going to be a bridge to connect people to a whole new world of work," said Cindy Arnold, development coordinator for La Mujer Obrera (The Working Woman), a nonprofit group in El Paso that helps displaced workers, most of whom are female and Hispanic. "But it's like a bridge into a ravine. It doesn't exist. It's a fraud."

Nafita has undeniably brought economic activity to the border, most obviously the huge warehouses, distribution centers and truck depots that have risen outside Laredo and El Paso. But it has also brought pollution, traffic, jammed bridges and a sense that its benefits were overstated.

"Nafita has done absolutely nothing for Douglas, Ariz.," said Ray Borane, the Mayor of that border city. "The only thing we've seen is truck traffic."

El Paso's Mayor, Carlos M. Ramirez, still insists that El Paso is poised to enter a golden age.

"But so far," Mr. Ramirez said, "the border is bearing the burden of free trade and not the benefits."

"I think Nafita has been good for the country, but if the entire country is getting the benefits, it should be paying the costs," he added, saying that the region needed Federal money for its clogged bridges and roads.

Border communities have also been affected by bad economic news in Mexico. When that country devalued the peso in 1984, the results were disastrous on the American side of the border, where the purchasing power of Mexicans was lowered dramatically. In El Paso alone, 70 downtown businesses closed.

There are bright spots, most with caution. The area is creating jobs at a faster pace than are most other parts of Texas, though the demand for work far outstrips the supply.

In Laredo, per-capita income grew by 32.6 percent from 1990 to 1996, slightly faster than the 27.4 percent growth nationally. But, at $12,199, it is still less than half the national figure of $24,436.

Many of those left behind are desperate to find work. Irma Montoya, 47, lost her job at an El Paso plant that made thermometers when it closed two and a half years ago. Since then, she has studied bookkeeping, but she has no regular income, and her husband, who worked for 20 years at a boot maker that also closed, is making much less money as a janitor.
Growth Without Prosperity

Counts along Texas' border with Mexico have seen their populations grow faster than the rest of the state and the country. But their income levels lag behind as jobs move across the border into Mexico.

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Sources: Census Bureau; Bureau of Labor Statistics; Bureau of Economic Analysis

The family's one piece of good economic news is bittersweet for Ms. Montoya. Her 24-year-old son, Oscar, got a job at Acer Computer, which opened a computer assembly plant here five years ago. The job required at least a high school diploma, math skills and knowledge of English.

"I am happy for him, but this is what I'm telling you when I say we are left behind," said Ms. Montoya, who speaks little English. "I'm afraid I could never get a job like that."

The Future

Hungering for Role In a New Economy

There are, of course, jobs just over the border, and from places like El Paso and Brownsville, more people are commuting to work in Mexico, especially in the maquiladoras.

But advocates for workers say there is no way an American can earn a decent living in such plants, which, according to a Labor Department study last year, pay an average hourly wage of $1.36, compared with $7.71 for factory jobs in El Paso.

"We have to deal with this issue of retraining here, in this city, in this country," Ms. Arnold said. "There is no way you can sustain yourself on Juarez wages and live in the United States."

There are optimists along the border, many of whom say that as the skill level of students and workers here picks up, the region will become a dynamic link between two nations that are increasingly trading with each other. Michael J. Blum, a former city planner for McAllen who is now a business consultant, calls the area "the neck of the hourglass."

Ms. Arnold, of La Mujer Obrera, which has organized pickets and camp-outs in which displaced workers demand jobs and retraining, says the women she deals with yearn to play a role in the new economy.

"These workers are not uneducable by any means," she said. "There is a tremendous hunger. They are very motivated to learn and to work."