These 3 Everyday Products Show Who Won and Lost From Nafta

The trade pact's future hangs in the balance. As negotiations begin this week, so do the futures of many products that we think of as quintessentially American.

By Ana Swanson Jan. 23, 2018 https://www.nytimes.com/2018/01/23/business/economy/nafta-beer-bacon-jeans.html?emc=edit_th_180123&nl=todaysheadlines&nlid=28869750

CreditLucas Blalock for The New York Times

WASHINGTON — The North American Free Trade Agreement may not be a topic of frequent discussion in your household, but the trade pact probably plays a big role in your daily life.

From the clothes you wear to the food you eat and the car you drive, many everyday products traveled on winding journeys across international borders before landing in your closet, your refrigerator or your driveway.

Many of their paths are set by Nafta, a 24-year-old agreement that President Trump has called a “disaster.” The president pledged to withdraw from the pact entirely if Canada and Mexico don’t agree to his demands to reshape the agreement.

Nafta has had a profound effect on the three countries. It has encouraged United States companies to expand across the continent by abolishing the tariffs charged on products moving across borders. It has strengthened some industries, and hollowed out others.

As the negotiations continue, the pact’s future hangs in the balance. So do the futures of many products that we think of as quintessentially American. Here are three products that have been shaped by Nafta — and could be reshaped depending on whether the pact changes or survives.

Bacon

CreditLucas Blalock for The New York Times

The bacon on your plate may have been born in Canada.

The well-traveled pig is a byproduct of Nafta, which has helped create complex agricultural supply chains that make for an often circuitous route to the consumer.

Many farmers in central and western Canada specialize in “feeder pigs” — piglets that are born in Canada and shipped to American farms when they are just a few months old. Farmers in Iowa, Minnesota and Illinois then “finish” the pigs by raising them to their final slaughter weight.

In 2016, Canada shipped nearly five million baby pigs into the United States — about 15 percent of those born north of the border. And much of the pork the United States produces is ultimately exported to Canada or Mexico.

That means a pork cutlet served in Toronto may have started out as a piglet on an Ontario farm before being exported to the United States, and then reimported as meat, said Cullen Hendrix, an associate professor at the University of Denver.

The system exists largely because the Midwest has more slaughterhouses than Canada, as well as millions of acres of cheap corn and soybeans to feed the pigs. Given Canada's vast size and sparse population, farms in Saskatchewan and Manitoba are closer to Midwestern cities than those in Canada.

"There is an ongoing pressure to keep the cost of consumer products low, so it becomes a question of who can do it efficiently," said Ron Bennett, the president of the Canadian Federation of Agriculture.

Under World Trade Organization rules, neither the United States nor Canada charges a tariff on imported pork. So if the United States withdrew from Nafta, pigs and pork moving across the border would not cost more.

But this agricultural supply chain would be disrupted in other ways. American pork would face a tariff of 20 percent when moving into Mexico, which generally has higher tariffs. That would hurt American farmers.

And Canada might end up competing with the United States, rather than complementing it. Even if the United States withdraws from Nafta, Mexico and Canada are likely to remain in the deal. Canadian farms could export pork more cheaply to Mexico than American farms could. Canadians might stop exporting their feeder pigs and raise them instead so they could export the meat directly to Mexico.

Jeans

CreditLucas Blalock for The New York Times

There’s seemingly nothing more American than a pair of Wrangler jeans, which were originally designed for rodeo cowboys. But today, those jeans demonstrate how globalization has altered an American industry — and how dismantling Nafta won’t return it to its heyday.

The last pair of Wranglers to roll out of a United States plant did so in 2005. About half of the brand’s tags now read “Made in Mexico.”

As global trade rules changed, many apparel jobs left the United States for locales with cheaper labor forces, including China, India, Vietnam, Bangladesh and Mexico. The number of Americans working in apparel manufacturing has plunged to fewer than 120,000, from more than 900,000 in 1990.

But Nafta helped save a crop of niche industries that feed the apparel factories south of the border. Under the trade deal, jeans can be shipped tariff-free from Mexico to shops in the United States, provided most of the pieces come from within North America.

The cotton in Wrangler jeans comes from 17 states, including Texas. Buttons and zippers are from Georgia. Threads are from North Carolina.

Low energy, water and transportation costs in the United States, as well as the world’s best cotton, make the United States a good place to make fabric and other raw materials for jeans, said Thomas A. Glaser, vice president for VF Corporation, which owns Wrangler. Mexico’s lower cost of labor makes it the best place to do the extensive sewing that jeans require.

“We’ve lived the dream of what Nafta was supposed to do — creating an integrated supply chain,” Mr. Glaser said.

The company says that over 70 percent of the material in its Mexico-made products comes from American companies — and that the design and marketing of its products create many more American jobs.

Without the agreement, the Wranglers made in Mexico would get hit with a tariff and prices would rise — and those cotton, yarn and fabric producers in the United States might disappear. The production would shift further away, likely to Asia where the labor is cheaper.

“If we change it too abruptly, everyone would relook at their supply chains and do a shift,” Mr. Glaser said. “And we don’t know where that will occur. For certain parts of our industry, I think that will put pressure on creating jobs in the United States.”

Beer

CreditLucas Blalock for The New York Times

When Americans think about Nafta, they often think of business moving south of the border to Mexico. But Mexico relies on American farmers for the ingredients in its biggest agricultural export to the United States — beer.

Mexican beer is heavily dependent on American ingredients, especially grain. More than half of the barley exported from the United States goes to Mexico. Most of the hops that Mexico imports come from the United States. Mexico also buys glass bottles, yeast, and other grains used in brewing, like rice, wheat and corn grits.

That trade is a product of Nafta, which triggered a giant agricultural reorganization on both sides of the border. The disruption was keenly felt in Mexico, where subsistence farmers — some of the country's poorest people — were put out of business by soaring imports of American grain.

Today, agricultural trade between the two countries is roughly balanced. In 2016, Mexico sent $23 billion in agricultural products to the United States — including fresh fruits and vegetables like avocados, tomatoes and watermelon — while the United States sent $18 billion in agricultural products to Mexico. Mexico's biggest agricultural export, beer, is fed with American materials.

Constellation Brands, which owns the United States rights to Corona, Modelo and Pacifico, says that about 40 percent of the cost to produce their beers stems from American grains, bottles, shipping services and other products. The company has built one of the world's largest breweries in Nava, Mexico, just south of the border, to serve the integrated market.

If the United States withdrew from Nafta, the Mexican beer industry would gain an advantage over its American competitors, as tariffs would revert to those the countries agreed to at the World Trade Organization.

Under those rules, the United States does not tax beer imports, but Mexico could impose a tariff of 20 percent on imported beer. It could also tax imports of American wheat and yeast. That might tip agricultural trade between the countries in favor of Mexico.

Ana Swanson is a trade reporter in the Washington Bureau. She previously worked at The Washington Post, where she covered trade, the Fed and the economy.