

NAFTA's Impact on Arizona

**Job Loss Has Led To Downward Pressure
on Wages and Living Standards**

**New Reports Show 8,000 Jobs Lost in Arizona;
766,000 Jobs Lost Nationwide**



Jobs with Justice
501 3rd St. NW
Washington, DC 20001
(202) 434-1106
info@jwj.org
www.jwj.org

Citizens Trade Campaign
PO Box 77077
Washington, DC 20013
(202) 624-8136
ctc@fairtradenow.org
www.fairtradenow.org

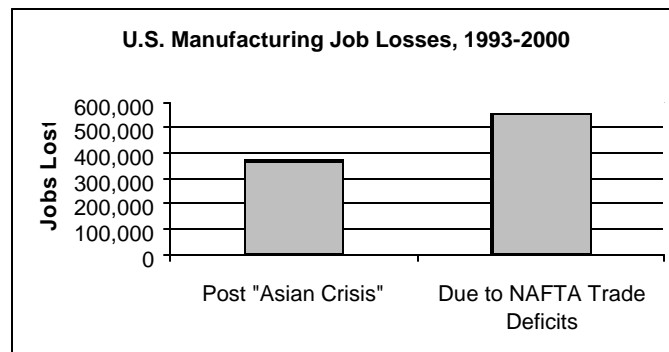
NAFTA's Impact on Arizona: Job Loss Has Led To Downward Pressure on Wages and Living Standards

New Reports Show 8,000 Jobs Lost in Arizona; 766,000 Jobs Lost Nationwide

When the North American Free Trade Agreement was being debated by the United States Congress in 1993, proponents argued that the passage of NAFTA would lead to increased job opportunities and rising living standards in the United States, Canada, and Mexico. Seven years later, evidence of economic gains for the majority of the population has failed to materialize in Arizona and the rest of the United States. Nor are the majority of people in Canada or Mexico better off as a result of NAFTA.

In Arizona and the United States overall, NAFTA has been a net destroyer of jobs, as a result of increased trade deficits. Nationally, a recent report from the Economic Policy Institute (EPI) shows, **more than three-quarters of a million** jobs and job opportunities were eliminated in the United States by increased trade deficits with Canada and Mexico during the operation of NAFTA.ⁱ **More than half a million** of these job losses were direct job losses in manufacturing, the sector principally affected by trade. By comparison, the net job loss in U.S. manufacturing since the 1998 "Asian financial crisis" largely induced by the International Monetary Fund and the World Bank's financial liberalization and austerity policies, which also caused huge job losses through increased U.S. trade deficits, was 368,000 jobsⁱⁱ (Table 1.) A state-by-state analysis by EPI shows **more than eight thousand of NAFTA's lost jobs and job opportunities were in Arizona**, with more than four thousand direct job losses in manufacturing, a quarter of these in the production of electrical machinery.ⁱⁱⁱ By April 2001, the government's NAFTA -Transitional Adjustment Assistance program (NAFTA-TAA), which only counts some NAFTA job losses, had certified 4,397 workers in Arizona as having lost their jobs due to NAFTA (Table 2.)^{iv} The distribution of these job losses has led to downward pressure on living standards and a weakening of workers' bargaining power. There is little reason to expect negotiations underway to extend the NAFTA model of economic integration to the rest of the Western Hemisphere – the proposed "Free Trade Area of the Americas" [FTAA] – to lead to a different result.

Table 1



Thus, a central claim of proponents of NAFTA in 1993, that NAFTA would create jobs in the United States, has been refuted by actual experience. The failure of NAFTA to achieve this central claim made for it by its proponents justifies skepticism in evaluating present claims of benefits from expanding NAFTA through the FTAA.

Given NAFTA's failure to create jobs in the United States, it is now common for proponents of NAFTA and of NAFTA expansion to concede that the purpose of NAFTA was never to create jobs. Now it is claimed that NAFTA has nothing to do with job creation, that the real significance of NAFTA is in promoting economic efficiency and therefore economic growth through increased international competition, and it is pointed out that the number of jobs lost due to NAFTA is small compared with the number of jobs created during the last expansion of the business cycle.

But the fact that more jobs were created by the economic expansion than were lost due to NAFTA does not imply that NAFTA job losses were inconsequential, because not all jobs are equal. As we would expect, NAFTA job losses have overwhelmingly occurred in manufacturing, since it is mostly the products of the manufacturing sector that are traded internationally. But average wages in the manufacturing sector are higher than in the rest of the economy. While the overall level of unemployment is determined more by the interest rate policy of the Federal Reserve than by trade policy, trade policy is reshaping the distribution of employment.

Surveys indicate that when workers displaced by trade do find new jobs, their wages fall, with earnings declining by an average of over 13%^v. These displaced workers' new jobs are likely to be in the service industry, the source of the overwhelming majority of new jobs created in the last decade. Average compensation in the service sector is only 77% of that in the manufacturing sector.^{vi} With the current business cycle expansion ending, displaced workers will find even fewer opportunities.

Moreover, both the theoretical and empirical evidence for significant gains in economic growth from NAFTA-type trade and investment liberalization is extremely weak.

In a recent paper, economist Dean Baker of the Center for Economic and Policy Research estimated what the direct gains to the U.S. economy would be of removing all tariffs on imports. He found that the gain would be roughly \$10 billion a year, a mere 0.1 percent increase in the size of the economy. If such a gain were distributed evenly to all households, it would add about \$45 a year to an average family income, less than \$1 a week.^{vii} By comparison, this is about a quarter of what even lower-income households can expect to get from the tax cuts currently being considered by the Congress.

The empirical evidence that NAFTA-type trade and investment liberalization leads to higher growth is no stronger. In a recent study using World Bank data, the Center for Economic Policy Research compared economic growth rates for 116 countries in the last two decades – a period of NAFTA-style trade and investment liberalization promoted by the International Monetary Fund, the World Bank, and the World Trade Organization – with the previous two decades, when national barriers to trade and investment flows were

higher. The CEPR study found that three-quarters of the countries had significantly higher growth rates in the earlier period – exactly the opposite of what one would expect if trade liberalization had led to higher growth.^{viii}

In particular, neither Mexico nor Canada has seen broad economic benefits for the majority of working families under NAFTA. In Mexico, between 1991 and 1998, the share of workers in salaried jobs with benefits fell sharply. By 1998, the incomes of salaried workers had fallen 25%. Under NAFTA, manufacturing wages in Mexico fell 21%.^{ix} In Canada, real incomes declined for the majority of the population in the 1990s, as unemployment averaged near 10% of the workforce.^x

There is little evidence that NAFTA has generated broad economic benefits. The costs of NAFTA to working families in Arizona and the rest of the United States – lost jobs and wages, weakened environmental laws, restrictions on democratic decision-making – have not been offset by economic gains for the majority of working families, in the United States, Mexico, or Canada.

Arizona NAFTA-TAA Certifications as of April, 2001					
Company	City	What They Produced	Petitioners	Cause	Estimated Workers
Strick	Casa Grande	chassis for truck trailers & van	Company	Mexican Imports	57
Lambda Electronics	Tucson	high end power supplies	Company	Moved to Mexico	55
Premium Manufacturing	Gilbert	gumball machines	Company	Moved to Mexico	35
McCulloch	Tucson	chain saws, string trimmers	Company	Moved to Mexico	120
Shure Brothers	Douglas	audio components, microphones	Company	Moved to Mexico	5
Noma Appliance and Electronics	Nogales	appliance harnesses	Company	Moved to Mexico	5
Scientific Atlanta	Tempe	cable boxes	Workers	Moved to Mexico	131
Calgon Carbon Corporation	Tucson	equipment for water purification	Company	Moved to Canada	10

Samsonite	Tucson	soft side luggage	Workers	Moved to Mexico	35
Bean	Tolleson	men's and women's underwear	Company	NAFTA Imports	250
Avent	Tucson	surgical gown covers	Workers	Moved to Mexico	60
Breed Technologies	Douglas	seat belts and air bags	Company	Moved to Mexico	27
IDEA Courier	Phoenix	printed circuit boards	Workers	Moved to Canada	24
Teledyne Electronic Technologies	Scottsdale	industrial solid state relays	Company	Moved to Mexico	29
Borden Foods	Tolleson	dry pasta	Company	Moved to Canada	125
McCulloch	Lake Havasu	leaf blowers, stringtrimmers	Workers	Moved to Mexico	40
Electronic Components and Systems	Tucson	printed circuit boards	Company	Moved to Mexico	29
Adflex Solutions	Chandler	flexible circuits	Workers	Moved to Mexico	242
McCulloch North America	Tucson	gasoline powered lawn & garden equipment	Company	Moved to Mexico	20
Motorola	Phoenix	semiconductors wafer	Workers	Moved to Mexico	1400
DQC	Tucson	cultured marble bathroom sinks tops	Workers	Moved to Mexico	40
Bunger Steel	Phoenix	main frames for steel buildings	Workers	Moved to Mexico	10

Weiser Lock	Tucson	residential door hardware & security	Company	Moved to Mexico	525
Samsonite	Tucson	soft side luggage	Workers	Moved to Mexico	35
Calgon Carbon Corporation	Tucson	equipment for water	Company	Moved to Canada	10
Bean	Tolleson	men's and women's	Company	NAFTA Imports	250
Competitive Engineering	Tucson	precision close	Workers		30
Scientific Atlanta	Tempe	cable boxes	Workers	Moved to Mexico	131
Avent	Tucson	surgical gown covers	Workers	Moved to Mexico	60
Ledalite Architectural Products	Tucson	cables	Company	Moved to Mexico	150
Blind Design	Tempe	mini blinds	Workers	Moved to Mexico	20
IDEA Courier	Tempe	computer controllers and terminals	Workers	Moved to Mexico	58
McCulloch	Lake Havasu City	lawn and garden equipment	Company	Moved to Mexico	295
Energy Fuels Nuclear	Fredonia	uranium oxide	Company	Canadian Imports	
Takata Seat Belts	Douglas	seat belts	Workers	Moved to Mexico	16
United Technologies	Tucson	electronic elevator controls	Company	Moved to Mexico	1
C.R. Bard	Nogales	catheters	Company	Moved to Mexico	27

<http://www.epinet.org>

ct on Workers in All Three Nations,” Economic Policy Institute, April 2001,