

NAFTA's Impact on California

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

**New Reports Show 80,000 Jobs Lost in California;
766,000 Jobs Lost Nationwide**



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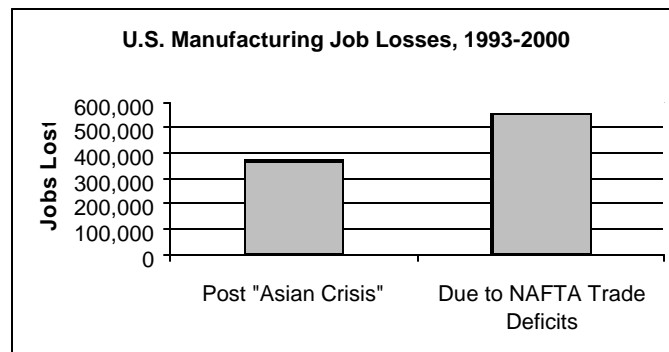
NAFTA's Impact on California: Job Loss Has Led To Downward Pressure on Wages and Living Standards

New Reports Show 80,000 Jobs Lost in California; 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 California 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 California 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 eighty thousand of NAFTA's lost jobs and job opportunities were in California**, with more than fifty 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 20,312 workers in California 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 California 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.

Table 2

California NAFTA TAA Certifications, March, 2001					
Company	City	What They Produced	Petitioners	Cause	Estimated Workers
L and L Manufacturing	Los Angeles	women's & girl's clothing	Workers	Mexican Imports	180
Stanley Door Systems, Stanley Works	San Dimas	hardware components for doors	Company	Moved to Mexico	80
California Direct Service	San Diego	mails direct mail	Workers	Moved to Mexico	60
Ingersoll Rand	San Jose	door cylinders & door locks	Company	Moved to Mexico	105
3 day Blinds	Anaheim	mini blinds	Workers	Moved to Mexico	53
Lanz, L.L.C.	Culver City	ladies apparel	Workers	Moved to Mexico	100
Mallory and Church	Chula Vista	men's neckwear	Workers	Moved to Mexico	56
OZ's Apparel	Pacoima	pants, skirts and blouses	Company	Mexican Imports	210
SMK Manufacturing	Placentia	electro-mechanical parts	Company	Moved to Mexico	21
Harvard Sports	Compton	dartboard cabinets	Workers	Moved to Mexico	14
Yakima Products	Arcata	components for car roof racks	Company	Moved to Mexico	27
Mabex Universal	San Diego	PE foam packaging for the electronics	Company	Moved to Mexico	30
Lee Thomas	Los Angeles	women's sportswear	Company	Moved to Mexico	102
International Rectifiers	Temecula	assembly operation of semi-conductor	Workers	Moved to Mexico	130
Dean Foods Vegetable	Watsonville	vegetable manufacturing	IBT	Mexican Imports	600
Maclin	Industry	garden hose	Company	Moved to Mexico	30
Palm Springs Golf	Cathedral City	golf clubs	Workers	Moved to Mexico	20
Canon Business Machines.	Costa Mesa	assembly of word processors & cassettes	Workers	Moved to Mexico	15

Dive N Surf	Torrance	neoprene diving suits (wetsuits)	Company	Moved to Mexico	112
The Olga	Sanda Paula	sewing of women's intimate apparel	Company	Moved to Mexico	260
The Olga	Fillmore	sewing of women's intimate apparel	Company	Moved to Mexico	
The Olga	Commerce	sewing of women's intimate apparel	Company	Moved to Mexico	
Clothes Connection	Santa Ana	women's clothing	Workers	Moved to Mexico	500
Dynamic Axle	Rancho Dominguez	front wheel drive axles	Company	Moved to Mexico	32
Modular Devices	Torrance	AC/DC converters	Company	Moved to Mexico	30
Avery Dennison	Torrance	three ring binders and sheet protectors	IBT	Moved to Mexico	30
Hudson RCI	Temecula	disposable medical devices	Workers	Moved to Mexico	21
Xentek	San Marcos	electric transformers manufacturing	Company	Moved to Mexico	30
Joe Manufacturing	San Francisco	women's apparel	UNITE	Mexican Imports	15
Sunny	San Francisco	women's apparel	UNITE	Mexican Imports	20
Alde	San Francisco	women's apparel	UNITE	Moved to Mexico	130
Karen Tang Sewing	San Francisco	women's apparel	UNITE	Mexican Imports	15
Springs Industries	City of Industry	horizontal wood blinds, vertical blinds	Company	Moved to Mexico	200
Sau Mee Sewing	San Francisco	sewing of women's apparel	UNITE	Mexican Imports	15
California Fashion Industries	Los Angeles	ladies garments	Company	NAFTA Imports	105

Laurel Engineering	San Diego	heavy duty mining equipment	Workers	Moved to Mexico	30
Kyocera International	San Diego	ceramic packages	Workers	Moved to Mexico	200
Printpack	San Leandro	print labels on foil packaging	Company	Moved to Mexico	220
General Motors	Goleta	assembly of turrets	UAW	Moved to Canada	140
Baltimore Aircoil	Merced	fiberglass cooling tower parts	Workers	Moved to Mexico	4
Mitsubishi Consumer Electronics America	Santa Ana	projection televisions	Company	Moved to Mexico	420
Micom Communication	Simi Valley	data communication devices	Workers	Moved to Canada	100
Deckers Outdoor	Carpinteria	sport sandals and boots	Company	Moved to Mexico	51
Deckers Outdoor	Goleta	sport sandals and boots	Company	Moved to Mexico	5
Deckers Outdoor	Ventura	sport sandals and boots	Company	Moved to Mexico	5
Georgia Pacific	Martell	pine and fir lumber and particleboard	CJA	NAFTA Imports	400
Anchor Glass	Antioch	glass containers	GMAW	Moved to Mexico	360
American Magnetics	Carson	magnetic card reader systems	Company	Moved to Mexico	125
Sutter	San Diego	CPM devices	Company	Moved to Canada	100
Allegiance Healthcare	Riverside	respiratory breathing circuits	Company	Moved to Mexico	65
IMPAC Manufacturing	Cyress	personal computer boards	Company	Moved to Mexico	19
L.A. Jeans	Commerce	women's clothing, denim jeans and sorts	Workers	Moved to Mexico	100
Levi Strauss	San Francisco	denim jeans and jackets	Company	Moved to Mexico	2
A & W Brands	Modesto	beverage flavor concentrates	IBT	Moved to Canada	30

ITT Cannon	Santa Ana	electro-mechanical connectors	Company	Moved to Mexico	30
Sweetheart Cup	Riverside	paper cups	IBEW	Moved to Canada	300
Bourns	Riverside	pressure transducers	Workers	Moved to Mexico	40
DQ Investment	San Diego	data base information	Company	Moved to Canada	22
Honeywell Micro Switch	El Monte	temperature and humidity sensors	Company	Moved to Mexico	127
Guess	Los Angeles	men's and juniors' woven & knit garments	Workers	Mexican Imports	100
Mitsubishi Consumer Electronics America	Costa Mesa	direct-view televisions	Company	NAFTA Imports	15
Shin Etsu Polymer America	Union City	silicone rubber keypads	Company	Moved to Mexico	215
Sunrise Medical	Simi Valley	walkers, canes, crutches, commodes	Company	Moved to Mexico	375
Sunrise Medical	Westlake Village	walkers, canes, crutches, commodes	Company	Moved to Mexico	80
Smartflex Systems	Tustin	electronic circuit board assemblies	Company	Moved to Mexico	60
Delphi Automotive Systems	Brea	truck seat covers	UAW	Mexican Imports	208
Bluestone Farming	San Diego	table grapes	UFW	Mexican Imports	43
American Metal Products	City of Commerce	sheet metal products: heating, air conditioning	SMW	Moved to Mexico	57
Meyer Tomatoes	King City	tomatoes	IBT	Mexican Imports	475
Alps Electric (USA)	Huntington Beach	keycaps & plastic parts for computers	Company	Moved to Mexico	55

Robertshaw Controls	Long Beach	gas heating control valves	Company	Moved to Mexico	32
Price Pfister	Pacoima	plumbing fixtures	IBT	Mexican Imports	25
BASF	Santa Ana	polystyrene pellets	Workers	Moved to Mexico	39
Sanyo E and E	San Diego	refrigerators and freezers	Company	Moved to Mexico	121
Johnson and Johnson Medical	Menlo Park	intravenous specialty catheters	Company	Moved to Mexico	83
Weslock Brand	Compton	residential door locks	Company	Moved to Mexico	112
Plantronics	Santa Cruz	telephone headsets	Company	Moved to Mexico	60
Richard's Sportswear	San Fernando	swimwear	Company	Mexican Imports	175
Teledyne Electronic Technologies	City of Industry	micro fuel cell sensors	Company	Moved to Mexico	15
Outdoor Recreation Group (The)	Los Angeles	backpacks, duffle bags	Company	Moved to Mexico	498
Corcom	Torrance	radio frequency inter. facility filters	Workers	Moved to Mexico	34
Babbie Casuals	Pacoima	denim bottoms	Company	Mexican Imports	250
Westinghouse Air Brake	Foster City	pipe fittings	Workers	Moved to Canada	70
GSM Enterprises	Los Angeles	ladies sportswear	Workers	NAFTA Imports	20
Wady Company	Marina Del Rey	ladies lingerie	Workers	Moved to Mexico	20
JWA Diving	El Cason	buoyancy compensators	Company	Moved to Mexico	35
Avery Dennison	Rancho Cucamonga	coated paper and film	Company	Moved to Canada	57
Safariland	Ontario	leather holsters, belts & protective gear	Workers	Moved to Mexico	60
H. Grabell and Sons	Commerce	lamp shades	Workers	NAFTA Imports	
Sony Electronics	San Diego	computer monitors	Company	Mexican Imports	475

Aromat Corporation (The)	San Jose	electronic relays	Company	Moved to Mexico	220
Minnesota Mining & Manufacturing (3M)	Chico	electronic parts	Workers	Moved to Mexico	129
C and D Technologies	Costa Mesa	standard AC to DC power supplies	Company	Moved to Mexico	55
Rosemount Analytical	Anaheim	gas analyzers	Company	Moved to Mexico	20
Unger and Fabrik, LLC	Los Anglese	men's & women's apparel	Workers	Moved to Mexico	200
Sunset Time	Pacomia	wall clocks	Company	Moved to Mexico	36
General Motors	Goleta	turret systems	Company	Moved to Canada	50
Medtronic	Anaheim	medical devices	Company	Moved to Mexico	1200
IBM	San Jose	removable media storage and sliders	Workers	Moved to Mexico	300
AZT Sewing	Commerce	denim jeans	Workers	Moved to Mexico	525
Modine Aftermarket Holdings	Merced	automobiles radiators	OEU	Moved to Mexico	74
Levi Strauss	San Francisco	denim and dockers	Company	Moved to Mexico	164
TAB Products	Turlock	paper file folders	Workers	Mexican Imports	54
Temco Fireplace Products	Perris	36" fireplaces	Workers	Moved to Mexico	30
Hughes Aircraft	Newport Beach	hybrid microelectronic circuits	EST	Moved to Mexico	90
Tandycrafts	Van Nuys	framed art, mirrors & picture frames	Company	Moved to Mexico	450
Master Foam	North Hollywood	foam for packaging	Company	Moved to Mexico	5
Mitsubishi Consumer Electronics America	Costa Mesa	direct-view televisions	Company	NAFTA Imports	15

Sunrise Medical	Simi Valley	walkers, canes,	Company	Moved to Mexico	375
Sunrise Medical	Westlake Village	walkers, canes,	Company	Moved to Mexico	80
Shin Etsu Polymer America	Union City	silicone rubber keypads	Company	Moved to Mexico	215
Sharp Manufacturing Company	Rancho Cucamonga	sporting goods	Workers	Moved to Mexico	49
Delphi Automotive Systems	Brea	truck seat covers	UAW	Mexican Imports	208
American Industrial	Meadville	metal handling racks &	UE	Canadian Imports	16
Universal Garment	Fremont	electronic connectors	Company	Moved to Mexico	
Smartflex Systems	Tustin	electronic circuit	Company	Moved to Mexico	60
Paigain Technologies	Tustin	telecommunicating devices	Workers	Moved to Mexico	43
Nortel Networks	Santa Clara	tele-communication	Workers	Moved to Canada	420
Pacific Light Metals,	Hawthorne	custom alloy wheels	Workers	Moved to Mexico	140
Kwikset Corporation	Anaheim	door locks	Workers	Moved to Mexico	500
Cast Alloys	Northridge	golf club heads	Workers	Moved to Mexico	150
O'Neill	San Francisco	wet suits & life jackets	Company	Moved to Mexico	101
Hitachi Koki Imaging Solutions	Simi Valley	computer products	Workers	Moved to Mexico	80
MNCO	Commerce	leather aprons	Workers	Moved to Mexico	105
Movies 99 - New Movie Corp.	Oakland	steel pails	USWA	Mexican Imports	12
Caitac Manufacturing	Costa Mesa	ink jet printers & printer cartridges	Company	Moved to Mexico	46
Eagle Precision Technologies	Carlsbad	tube bending machinery	Company	Moved to Canada	73

JBL, Inc./Harman, Mfg.	Northridge	loudspeaker cabinets & wooden components	Workers	Moved to Mexico	80
Hart Mountain Millwoks	Corona	oil coolers	Company	Moved to Mexico	49
Acer America	San Jose	computers	Company	Moved to Mexico	120
Amphenol	Torrance	electronic connectors	Workers	Moved to Mexico	109
Equitable Production	Los Abgeles	girls' & infants	Workers	Moved to Mexico	105
Talon	Commerce	zippers	Workers	Moved to Mexico	12
Boskovich Farms	Oxnard	onion fields	HMNAC	Moved to Mexico	170
Anchor Glass	Huntington Park	glass containers	GMPW	Canadian Imports	
A-1 Broom & Supply	Los Angeles	brooms and mops	Workers	Mexican Imports	3
Pacific Power	All locations	electricity	UWUA	Canadian Imports	
Koring Brothers	Long Beach	netting and twine	Workers	Moved to Mexico	11
Diesel Recon	Sante Fe Springs	remanufacturing of diesel engines	Company	Moved to Mexico	270
Kellogg	San Leandro	ready to eat cereal	AFGM	Moved to Canada	325
Cal-Style Furniture Mfg.	Compton	dinette sets	Company	Moved to Mexico	110
Robertshaw Controls	Long Beach	gas controls valves	Company	Moved to Mexico	145
Capri Lighting	Los Angeles	household lighting equipment	IBEW	Moved to Mexico	150
Formglas	San Jose	precast fiberglass columns	CJA	Moved to Canada	42
Alps Electric USA	Garden Grove	computer peripheral device	Workers	Moved to Mexico	360
Branson Ultrasonic	Paramount	ultrasonic cleaning equipment	Company	Moved to Mexico	33
Price Pfister	Pacoima	water faucets and parts	IBT	Moved to Mexico	300

Casablanca Fan	City of Industry	ceiling fans	Company	Mexican Imports	50
Newell Home Hardware	City of Commerce	metal and steel brackets, clips and	Workers	Moved to Canada	120
Siecor	Otay Mesa	telephone modules	Workers	Moved to Canada	4
Authentic Fitness	Los Angeles	swimwear	Workers	Moved to Mexico	300
Sherwood Dash	Rancho Cucamonga	dashboard kits for auto	Workers	Moved to Canada	20
Seco Manufacturing	Redding	cases, backpacks and pouches	Company	Moved to Mexico	7
Rich and Me	Vernon	activewear apparel	Workers	Moved to Mexico	80
Flowserve Corporation	Temecule	mechanical seals	Workers	Moved to Mexico	70
Kojo Worldwide	Huntington Beach	linens, bedspreads and draperies	Workers	Moved to Mexico	50
Johns Manville International	Corona	fiber glass insulation	GMP	Moved to Canada	190
Mediacopy	San Leandro	duplicated movies to video cassettes	Company	Moved to Mexico	49
Tyco Electronics	Irvine	connectors, cable assembly	Workers	Moved to Mexico	354
Respiratory Support Products	Irvine	disposable medical products	Workers	Moved to Mexico	70
GRT	Menlo Park	balloon therapy	Company	Moved to Mexico	70
Leach International	Buena Park	electro mechanical subassemblies	Company	Moved to Mexico	87
				Total	20312

ⁱ "NAFTA's Hidden Costs – Trade Agreement Results in Job Losses, Growing Inequality, and Wage Suppression for the United States," Robert E. Scott, Economic Policy Institute, April 2001, <http://www.epinet.org>

ⁱⁱ "National Employment, Hours, and Earnings," Bureau of Labor Statistics, <http://www.bls.gov>.

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- ⁱⁱⁱ "NAFTA'S Impact on the States--The Industries and States That Suffered the Most in the Agreement's First Seven Years," Robert E. Scott and Jana Shannon, Economic Policy Institute, April 2001, <http://www.epinet.org>.
- ^{iv} As of April, 2001, the Department of Labor had certified more than 328,798 U.S. workers as having lost their jobs directly due to NAFTA. See "A Sampling of NAFTA Related Job Loss... NAFTA Transitional Adjustment Assistance (NAFTA TAA)," web site of Public Citizen's Global Trade Watch, <http://www.tradewatch.org/taa97acs/KEYTAA.html>.
- ^v *State of Working America: 2000-01*, Lawrence Mishel, Jared Bernstein, and John Schmitt, 2001, p. 24
- ^{vi} *State of Working America: 2000-01*, Lawrence Mishel, Jared Bernstein, and John Schmitt, 2001, p. 169.
- ^{vii} "Gaining With Trade?" Dean Baker, Center for Economic and Policy Research, April 2001, <http://www.cepr.net>.
- ^{viii} "The Emperor Has No Growth: Declining Economic Growth Rates in the Era of Globalization," Mark Weisbrot, Robert Naiman, and Joyce Kim, Center for Economic and Policy Research, September 2000, <http://www.cepr.net>.
- ^{ix} "The Impact of NAFTA on Wages and Incomes in Mexico," Carlos Salas, La Red de Investigadores y Sindicalistas Para Estudios Laborales (RISEL), in "NAFTA at Seven: Its Impact on Workers in All Three Nations," Economic Policy Institute, April 2001, <http://www.epinet.org>.
- ^x "False Promise: Canada in the Free Trade Era," Bruce Campbell, Canadian Centre for Policy Alternatives, in "NAFTA at Seven: Its Impact on Workers in All Three Nations," Economic Policy Institute, April 2001, <http://www.epinet.org>.