

NAFTA's Impact on Colorado

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

**New Reports Show 8,100 Jobs Lost in Colorado;
766,000 Jobs Lost Nationwide**

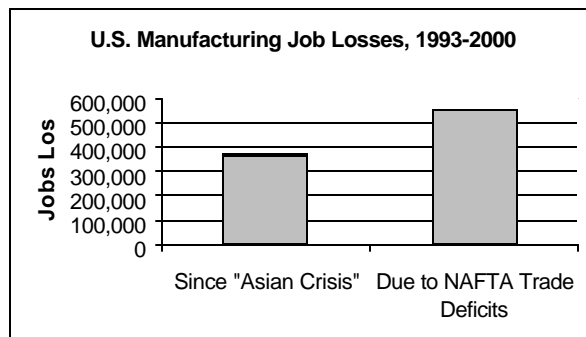


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to lead to a different result.

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 Colorado 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
Colorado NAFTA-TAA Certifications as of
April, 2001

Company	City	What They Produced	Petitioners	Cause	Estimated Workers
Kenting Apollo Drilling	Denver	exploration and drilling	Workers	NAFTA Imports	500
Kenting Apollo Drilling	All locations not Denver	exploration and drilling	Workers	NAFTA Imports	
Gold, D/B/A Gold Bud	Aurora	sewing dept. car seat covers	Workers	Moved to Mexico	20
Woolrich	Broomfield	apparel; sportswear and outerwear	Company	Moved to Mexico	50
Dana	Pueblo	aluminum automotive pistons	Company	Canadian Imports	185
Sterling Stainless Tube	Englewood	automotive antenna components	Workers	Moved to Mexico	25
Eastman Kodak	Windsor	film and graphics arts film	Company	Moved to Mexico	24
SPM Denver	Denver	plastic injection molded	Workers	Moved to Mexico	77

Larcan - TTC	Louisville	television and radio transmitters	Company	Moved to Canada	22
Hewlett Packard	Loveland	computer tape back-up	Company	Moved to Mexico	150
Gannett Outdoor	Denver	hand painted billboard faces	Workers	Moved to Canada	6
Medtronic	Parker	therapeutic disposable products	Company	Moved to Mexico	13
Robertshaw Controls	Ft. Collins	ignition controls	Company	Moved to Mexico	48
General Imaging Technology (USA)	Arvada	slitting of thermal transfer ribbon	Company	Moved to Mexico	3
Colorado Contract Cut & Sew	Denver	baby accessories, apparel	Company	Mexican Imports	45
U.S. Sack Corporation	Gand Junction	polypropylene bulk bags	Workers	Mexican Imports	29
Asarco	Leadville	lead & zinc concentrates	Company	Moved to Mexico	97
Escod Industries	Canon City	cable and wire harnesses for telecommuni	Company	Mexican Imports	800
Miller International	Rocky Ford	ladies' jeans & vests	Company	Moved to Mexico	68
Colorado Greenhouse	Westminster	tomatoes	Company	Mexican Imports	148
Caretek	Denver	fleece apparel	Company	Moved to Mexico	225
DTM Products	Niwot	plastic injection	Workers	Moved to Mexico	91
SPM Denver	Denver	plastic injection	Workers	Moved to Mexico	77
Delco Remy International	Montrose	screen printed shirts	Company	Mexican Imports	60
Cabot Oil and Gas	various locations	natural gas and oil	Company	Canadian Imports	
Louisiana Pacific	Walden	lumber products	Company	Canadian Imports	
Blue Eagle Exploration	various locations	oil and gas	Company	NAFTA Imports	
International Verifact	Boulder	check readers	Workers	Canadian Imports	4

Loral	Pueblo	cables for RETS program	Company	Moved to Canada	325
Flour Daniel	Rifle	crude oil and natural gas	Workers	NAFTA Imports	
Energy Fuels Nuclear	Denver	uranium oxide	Company	Canadian Imports	
Blue Mesa Forest Products	Montrose	lumber	Workers	Canadian Imports	67
Krone	Englewood	telecommunication products	Company	Moved to Mexico	30
Poly One Corporation	Denver	polyethylene plastic	Company	Moved to Mexico	14
Cottrell International	Englewood	dental pouches	Company	Moved to Canada	28
Samsonite Corporation	Denver	luggage	Company	Mexican Imports	40
HYD-Mech Group	Pueblo	metal cutting band saws	Company	Moved to Canada	32
				Total	3303

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>.

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>, which explains some of the reasons NAFTA-TAA numbers do not capture all NAFTA job losses. In addition, NAFTA-TAA does not reflect jobs that would have been created in the U.S. had our trade deficit not increased.

^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>.