

NAFTA's Impact on Connecticut

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

**New Reports Show 9,200 Jobs Lost in Connecticut;
766,000 Jobs Lost Nationwide**

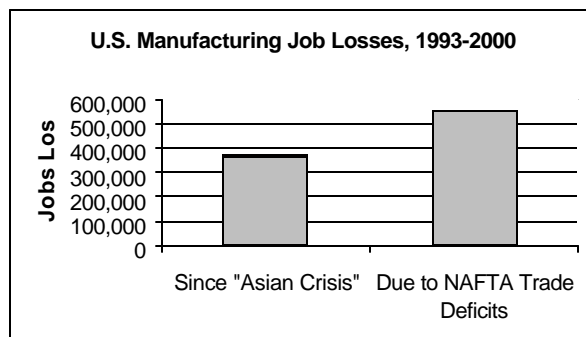


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to lead to a different result.

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 Connecticut 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
Connecticut NAFTA-TAA Certifications
as of April, 2001

Company	City	What They Produced	Petitioners	Cause	Estimated Workers
Douglas Randall	Pawcatuck	electric heating devices	UNITE	MOVED TO MEXICO	16
Nu-Tech Metals	Waterbury	titanium tubes and clad copper	Workers	MOVED TO CANADA	15
Sherwood, Davis and Geck	Danbury	hospital sutures, needles, etc.	ICWUC	MOVED TO MEXICO	100
Anchor Glass	Dayville	glass container	GMPPAW	MOVED TO MEXICO	400
Apparel America	New Haven	women's swimwear	UNITE	MOVED TO MEXICO	100
Stanley Works (The)	New Britain	oven and refrigerator hinges latch	IAMAW	MOVED TO MEXICO	400
Warnaco	Stratford	women's intimate apparel	UNITE	MOVED TO MEXICO	125

Thomson Precision Ball	Unionville	precision steel balls	Company	MOVED TO MEXICO	60
M.S. Chambers and Son	Baltic	gravure print cylinders	Company	MOVED TO CANADA	18
Elinco	Waterbury	electric motors	Company	MOVED TO MEXICO	9
Elinco	Stamford	electric motors	Workers	MOVED TO MEXICO	7
VDO North America	Cheshire	automotive Components	Company	MOVED TO MEXICO	170
Burlington Resources	Wauregan	cables assemblies	Workers	MOVED TO MEXICO	60
Cross Huller	Branford	compression molding & bake light finish	Workers	MOVED TO MEXICO	34
Abek	Bristol	precision steel balls	Company	MOVED TO MEXICO	14
Power Systems	Bloomfield	custom design power supplies	Company	MOVED TO MEXICO	25
American White Cross	Dayville	cosmetic machinery	Company	MOVED TO MEXICO	75
				Total	1628

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 the U.S. 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>.