

# **NAFTA's Impact on Michigan**

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

**New Reports Show 46,000 Jobs Lost in Michigan;  
766,000 Jobs Lost Nationwide**



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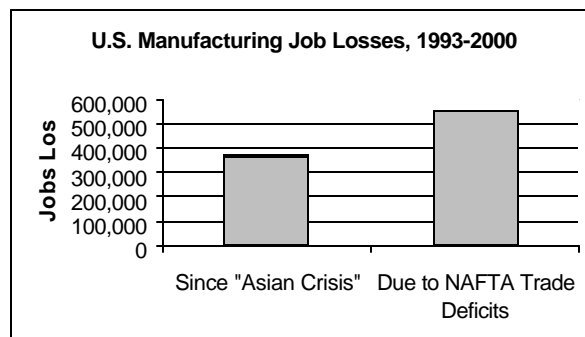
## NAFTA's Impact on Michigan: Job Loss Has Led to Downward Pressure on Wages and Living Standards

### New Reports Show 46,000 Jobs Lost in Michigan; 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 Michigan 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 Michigan 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.<sup>i</sup> **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 jobs<sup>ii</sup> (Table 1.) A state-by-state analysis by EPI shows that **more than forty-six thousand of NAFTA's lost jobs and job opportunities were in Michigan**, with 40,000 direct job losses in manufacturing. The manufacturing job loss in Michigan included 26,000 jobs lost in the production of motor vehicles and other transportation equipment.<sup>iii</sup> By April 2001, the government's NAFTA -Transitional Adjustment Assistance program (NAFTA-TAA), which only counts some NAFTA job losses, had certified 12,191 workers in Michigan as having lost their jobs due to NAFTA (Table 2.)<sup>iv</sup> 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%<sup>v</sup>. 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.<sup>vi</sup> 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.<sup>vii</sup> 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.<sup>viii</sup>

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%.<sup>ix</sup> In Canada, real incomes declined for the majority of the population in the 1990s, as unemployment averaged near 10% of the workforce.<sup>x</sup>

There is little evidence that NAFTA has generated broad economic benefits. The costs of NAFTA to working families in Michigan 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**  
**Michigan NAFTA-TAA Certifications**  
**as of April, 2001**

<b>Company</b>	<b>City</b>	<b>What They Produced</b>	<b>Petitioners</b>	<b>Cause</b>	<b>Estimated Workers</b>
Tyco Electronics	Clinton Township	auto wiring harness	Company	Moved to Mexico	212
Alcoa	Dearborn Heights	prototype electrical wire harnessee	Workers	Moved to Mexico	34
Pine River Lumber , Limited	Kenton	hardwood lumber	Workers	NAFTA Imports	10
Therm-O-Disc	Newaygo	electronic compoents	Workers	Moved to Mexico	50
Superior Milling Limited	Watersmeet	finished hardwood lumber	Workers	NAFTA Imports	31
Norco/Jeld Wen	Marenisco	wood patio door	OCAW	Canadian Imports	83
Connor Forest Industries	Wakefield	wood products	IAM	NAFTA Imports	125

Connor Forest Industries	Baraga	wood products	IAM	NAFTA Imports	
TRW	Washington	occupant restraint stampings	UAW	Moved to Canada	117
United Technologies	Nies	mold steering wheels and airbag covers	UFCW	NAFTA Imports	263
First Inertia Switch	Grand Blanc	vetical accelerometer produced for GM	Workers	Mexican Imports	35
Tecumseh Metal Products	Grand Rapids	metal stampings weld assemblies	Company	Moved to Canada	50
Tecumseh Metal Products	Walker	metal stampings weld assemblies	Company	Moved to Canada	50
SPX	Dowagiac	brake booster housing	Workers	Mexican Imports	15
Eagle Ottawa Leather	Grand Haven	leather for interior parts of automobile	UPW	Moved to Mexico	300
Collins and Aikman	Port Huron	moled automobile carpets	UNITE	Moved to Canada	95
Lacy Diversified Industries	Dowagiac	pine wooden doors	USWA	Canadian Imports	323
Sandvik	Warren	balls for ball point pens	UAW	Moved to Mexico	20
CNI	Port Huron	head and arm rests	Workers	Moved to Mexico	129
Special Plastic Products	Fair Haven	plastic injection molded parts	Workers	Moved to Mexico	120

J.R. Simplot	Wyoming	frozen potato products	Company	NAFTA Imports	14
GenCorp	Ionia	fiberglass automotive grill opening pane	Workers	Canadian Imports	49
Lear - Fair Haven Plant	Fair Haven	seat covers	IBT	Moved to Mexico	188
Stanley Door Systems	Troy	door slabs and prehung doors	UAW	Moved to Canada	180
LeTarte	Smiths Creek	safety guarding for machines	UAW	NAFTA Imports	20
Lucas Varity Kelsey-Hayes	Brighton	4WAL "S" and "T" sensors	UAW	Mexican Imports	90
Pro-Tech Respirators	Buchanan	mask respirators, cartridges, filters	Workers	Moved to Mexico	7
Target Components	Kentwood	fuel filler doors	Workers	Canadian Imports	130
Fleetwood Metals Industries	Tecumseh	metal stamping for automobile dashboards	USWA	Moved to Canada	76
Simpson Industries	Jackson	automotive components, brake drums, etc.	IAM	Moved to Mexico	125
Simpson Industries	Gladwin	isolators and dampers	Company	Moved to Mexico	175
Texas Instruments	Central Lake	thermal overload motor devices	Workers	Moved to Mexico	81

Reef Gear	Marine City	Transmission gears - golf carts	Workers	Canadian Imports	143
Alcoa Fujikura Limited	O'osso	brush cards for wiper motors	Workers	Mexican Imports	100
Visy Paper	Menominee	linerboard and tubestock paper	UPIU	NAFTA Imports	122
Breed Technologies	St. Clair Shores	seat belt assembly & plastic component	Workers	Moved to Mexico	429
Burgess Machine and Tool	St. Clair	plastic injection molds	Workers	Moved to Canada	25
Federal Mogul	Greenville	bearings for auto engines	UAW	Moved to Mexico	64
Howell Industries	Lapeer	CT20 line motor mount	IBT	Canadian Imports	8
Magnetek	O'osso	parts for fractional horsepower	Company	Moved to Mexico	31
Eagle Precision Technologies	Jackson	tube end forming machines	Company	Moved to Canada	46
Walbro	Cass City	small engines carburetors	UAW	Moved to Mexico	138
Borg Warner Automotive	Sterling Heights	automotive torque converters	Company	Moved to Mexico	259
Alcoa Fujikura Limited	O'osso	electronic radio frequency interference	Company	Moved to Mexico	129
Wolverine Worldwide	Rockford	tanned pigskin - Shoes	Company	Mexican Imports	25
Sybron Dental Specialties	Romulus	endodontic files and reamers	UAW	Moved to Mexico	35

Ausco Products	Benton Harbor	mechanical screw jacks	Company	NAFTA Imports	42
Ardney Leather and Sheepskin Coat	Milwaukee	shearling coats	Workers	Moved to Canada	14
Peregrine	Livonia	door trim panel assemblies	Company	Moved to Canada	46
Peregrine	Flint	window regulator assemblies	Company	Moved to Canada	250
Indiana Knitwear	Colon	knit tops for sportswear	Company	Moved to Mexico	31
Stroh Brewery (The)	Detroit	beer beverages	Workers	Mexican Imports	250
BASF	Detroit	automotive solvent paint resins	Workers	Moved to Mexico	212
Collins and Aikman	Homer	interior automotive parts	Company	Moved to Canada	370
Batts	Zeeland	plastic garment hangers	Workers	Moved to Mexico	545
Ultramar Diamond Shamrock	Alma	petroleum products	Workers	Moved to Canada	204
John Crane	Crystal Falls	automotive seals	Company	Moved to Mexico	24
Amco Convertible Fabrics	Adrian	automobile convertible top fabrics	Company	Moved to Mexico	100
Collins and Aikman	Adrian	assemblies and trimmings for	UAW	Moved to Mexico	120
Iron Horse Productions	Port Huron	wheelchairs	Company	NAFTA Imports	3
United Distillers & Vintners North Amer.	Allen Park	distilled spirits	Workers	Moved to Canada	350
Framatome Connectors Interlock	Boyer City	insert molded parts & wire harness	Company	Moved to Mexico	67

Champion Laboratories	Shelby Twnshp	stainless steel fuel filters	Company	Moved to Mexico	74
Garden State Tanning	Adrian	cut leather	UNITE	Moved to Mexico	112
Cooper Standard Automotive	Gaylord	car sealants for windows	UAW	Moved to Canada	33
Custom Packaging Systems	Manistee	polyethylene bulk bags & liners	Company	Moved to Mexico	46
Federal Mogul	Greenville	bearings for auto	UAW	Moved to Mexico	64
Kongsberg Automotive	Livania	seat heating pad	Workers	Moved to Mexico	30
Ambar Chemical	Manistee	calcium chloride	Company	NAFTA Imports	82
Grand Haven Brass Foundry	Grand Haven	plumbing components	PACE	Canadian Imports	59
ITT Industries	Tawas City	vacuum harnesses	Company	Moved to Mexico	221
Fawn Industries	Michigan City	wiper blades	Workers	Moved to Mexico	320
Qwik Tool	Rockwood	household soap products	PACE	Moved to Canada	391
Newell Window Furnishings	Sturgis	drapery hardware	UAW	Moved to Mexico	450
AirBoss Polymer Products	South Haven	molded rubber products	Workers	Moved to Canada	66
Tyco Electronics	Boyne City	automotive electrical terminals	Company	Moved to Mexico	80
General Binding	Aubun Hills	binding systems	Workers	Moved to Mexico	73
Lear Corporation	Traverse City	terminal block assembly	UAW	Mexican Imports	72

ITT Hancock Engineered Products	Roscommon	winch line for spare tire holders	Workers	Moved to Mexico	17
Waltec American Forging	Port Huron	forge dies, trim dies jig & fixtures	Workers	Canadian Imports	10
Dura Convertible Systems	Adrian	convertible topstacks	Company	Moved to Mexico	80
AMCO Mfg.	Adrian	automotive convertible top covers	Company	Moved to Mexico	25
Copper Range	White Pine	copper ranges	USWA	Moved to Canada	1133
Gannett	Detroit	advertising billboards	Company	Moved to Canada	8
Motor Wheel	Ypsilanti	wheel parts	UAW	Moved to Mexico	54
H.H. Cutler	Grand Rapids	t-shirts and sweatshirts	Company	Moved to Mexico	283
Cambridge Industries	Ionia	reinforced plastic parts	IUE	Moved to Mexico	200
Georgia Pacific	Kalamagoo	printing paper	Company	NAFTA Imports	224
Talon Automotive Group	Oxford	automotive Stamping	Company	Moved to Canada	170
Tyco Electronics	Chesterfield	electrical connectors	Company	Moved to Mexico	114
Karmazin Products	Wyandatte	truck radiator components	Company	Moved to Mexico	100
TI Automotive Group	New Havenq	automotive electrical connectors	Workers	Moved to Mexico	116
Fox Distribution	Laurel	finger joint stud	Workers	Moved to Canada	25
Hayes Lemmerz International	Homer	automotive rotors & drums	Workers	NAFTA Imports	80
				<b>Total</b>	12191

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- <sup>i</sup> “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>
- <sup>ii</sup> “National Employment, Hours, and Earnings,” Bureau of Labor Statistics, <http://www.bls.gov>.
- <sup>iii</sup> “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>.
- <sup>iv</sup> 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 <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.
- <sup>v</sup> *State of Working America: 2000-01*, Lawrence Mishel, Jared Bernstein, and John Schmitt, 2001, p. 24
- <sup>vi</sup> *State of Working America: 2000-01*, Lawrence Mishel, Jared Bernstein, and John Schmitt, 2001, p. 169.
- <sup>vii</sup> “Gaining With Trade?” Dean Baker, Center for Economic and Policy Research, April 2001, <http://www.cepr.net>.
- <sup>viii</sup> “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>.
- <sup>ix</sup> “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>.
- <sup>x</sup> “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>.