

NAFTA's Impact on Ohio

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

**New Reports Show 37,000 Jobs Lost in Ohio;
766,000 Jobs Lost Nationwide**



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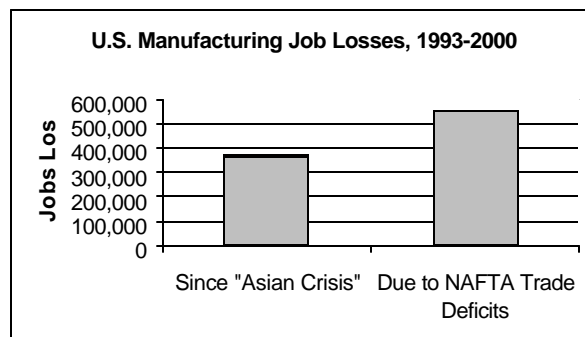
NAFTA's Impact on Ohio: Job Loss Has Led to Downward Pressure on Wages and Living Standards

New Reports Show 37,000 Jobs Lost in Ohio; 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 Ohio 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 Ohio 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 **that thirty-seven thousand of NAFTA's lost jobs and job opportunities were in Ohio**, with thirty thousand direct job losses in manufacturing, including ten thousand in the production of motor vehicles and transportation equipment and four thousand in 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 nearly eight thousand workers in Ohio 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 Ohio 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 Ohio NAFTA-TAA Certifications as of April, 2001					
Company	City	What They Produced	Petitioners	Cause	Estimated Workers
Greenfield Research	Greenfield	automotive seat covers	Company	Mexican Imports	420
Thomas and Betts	Strongsville	zinc die cast conduit fittings	PSSDC	Moved to Mexico	235
Pioneer Balloon	Willard	latex balloons	USWA	Moved to Canada	92
American Steel Foundries	Alliance	castings	USWA	NAFTA Imports	206
The Goodyear Tire and Rubber	Green	air sleeves, shock sleeves & air springs	USWA	Moved to Mexico	60
Robertshaw Controls	Grove City	electronic controls	IBU	Moved to Mexico	67

Nestaway Canal Wire Facility	Canal Winchester	dishwasher racks and components	Company	NAFTA Imports	70
Anchor Glass	Zanesville	moulds	AFGW	Mexican Imports	19
Walker Manufacturing	Hebron	exhaust systems	UAW	Moved to Mexico	288
Amana Refrigeration	Delaware	manual clean kitchen ranges	Workers	Mexican Imports	645
A.O. Smith	Tipp City	components parts for electric motors	IBEW	Moved to Mexico	70
Komatsu America International	Galion	road construction & maintenance machiner	IAM	Canadian Imports	30
Franklin Disposables	Columbus	nylon hairnets	Company	Moved to Mexico	50
United Technologies	Zanesville	automotive wire harnesses	IBEW	Moved to Mexico	260
Belden Wire and Cable	Apple Creek	power supply cords	Company	Moved to Mexico	168
International Wire	Eucyrus	electrical wiring harnesses	Company	Mexican Imports	250
Ametek - March Electric	Cambridge	rotating fans	IAM	Mexican Imports	88
United Technologies	Zanesville	automotive bulkhead lines	IAM	Moved to Mexico	400
General Electric	Eucyrus	trimline lamps	IUE	Moved to Canada	14

Allied Signal	Greenville	filter component parts	FEIU	Moved to Mexico	3
ABL Engineering	Mentor	tele-communications equipment	Company	Moved to Canada	24
Plaid Clothing	Cincinnati	men's suits	Company	Mexican Imports	320
Eveready Battery	Fremont	batteries	Workers	Moved to Mexico	279
A.O. Smith	Upper Sandusky	fractional horsepower electric motors	Workers	Moved to Mexico	50
Mapa Pinoer	Willard	natural rubber gloves	USWA	Moved to Mexico	20
ITT Automotive	Archbold	gasoline and brake line tubing	IAMAW	Moved to Mexico	137
BTR Automotive Sealing Systems	West Unity	rubber weatherseals	Workers	Moved to Mexico	110
Hamilton Kent Manufacturing	Kent	extruded & custom molded rubber products	URW	Moved to Canada	12
Triple A In The USA	Bellaire	ladies swimwear and sportswear	Company	NAFTA Imports	100
R B & W	Kent	threaded screws and nuts	IUP	Moved to Canada	92
Komatsu America International	Galton	road construction & maintenance machinery	IAMAW	Canadian Imports	275
ABEPP Acquisition	Marion	electrical wiring harnesses	Company	Mexican Imports	174

ABEPP Acquisition	North Baltimore	electrical wiring harnesses	Company	Mexican Imports	
ABEPP Acquisition	Prospect	electrical wiring harnesses	Company	Mexican Imports	
Graphic Packaging	Franklin	flexible packaging	Workers	Moved to Canada	43
Wirekraft Industries	Marion	wire harnesses for washing machines	Company	Mexican Imports	
Wirekraft Industries	Cardington	wire harnesses for washing machines	Company	Mexican Imports	
D & R Lumber	Bethesda	rough lumber and logs	Company	Canadian Imports	40
North American Knitting	Mansfield	ladies' knitting apparel	Company	Mexican Imports	25
Uniroyal Chemical	Painesville	nitrile rubber	Company	Moved to Mexico	114
Victoreen	Solon	resistor, capacitors and vacuum tubes	IAM	Moved to Mexico	28
Allied Signal	Greenville	air filters, oil filters & spark plugs	FEIU	Moved to Mexico	180
Ametek	Cambridge	fractional horsepower electric motors	IAM	Moved to Mexico	250
GKN Sinter Metals	Van Wert	automotive powdered metal parts	Workers	Moved to Canada	100
CTI Communications	Piqua	CB, cellular, marine & pro-am antennas	Workers	Moved to Mexico	162
Lucasvarity PLC	Cincinnati	automotive drum brake assemblies	Workers	Moved to Mexico	230

Sims Manufacturing	Payne	tractor cabs	Company	Moved to Mexico	91
Howeywell International	Ironton	naphthalene (mothballs)	USWA	Moved to Canada	68
Mr. Coffee	Glenwillow	coffee & tea brewers	Company	Moved to Mexico	320
Ranco North America	Plain City	plastic water valves,	Company	Moved to Mexico	26
Lefever Plastics	Funtsville	wiring harness	Workers	Mexican Imports	3
Goodyear Tire and Rubber	Green	air springs	USWA	Moved to Mexico	22
BTR Automotive Sealing Systems	West Unity	rubber weatherseals	Workers	Moved to Mexico	110
Takata Fabrication	Piqua	safety restraints (seat belts)	Workers	Moved to Mexico	82
Paper, Calmenson and Company	Bucyrus	ground engaging tools	USWA	Moved to Canada	71
Campbell Soup	Sidney	dry soup noodles	Workers	Moved to Canada	98
Richs Products	Dayton	muffins	BCTW	Moved to Mexico	146
PMI Food Equipment Group	Troy	commercial dishwashers	UAW	Moved to Canada	50
General Electric	Bucyrus	fluorescent lamps	IUE	Moved to Canada	50
Eaton	Marion	truck axles	BBF	Mexican Imports	30
International Paper	Cincinnati	folding cartons	PACE	Moved to Canada	227

Philips Electronics North America	Ottawa	TV picture tubes	IBEW	Moved to Mexico	72
Clark Metal Products	Marion	stamped metal parts	UAW	Canadian Imports	150
				Total	7816

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} More than 296,101 U.S. workers have been certified as of March 2001 by the Department of Labor under NAFTA TAA as having lost 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 Globaliza 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>.