

# **NAFTA's Impact on Tennessee**

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

**New Reports Show 25,000 Jobs Lost in Tennessee;  
766,000 Jobs Lost Nationwide**



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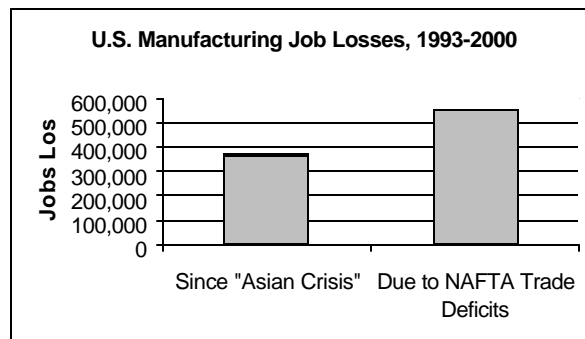
## NAFTA's Impact on Tennessee: Job Loss Has Led to Downward Pressure on Wages and Living Standards

### New Reports Show 25,000 Jobs Lost in Tennessee; 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 Tennessee 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 Tennessee 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 25,000 of NAFTA's lost jobs and job opportunities were in Tennessee**, with 21,000 direct job losses in manufacturing. The manufacturing job loss in Tennessee included more than four thousand in apparel, 3,600 jobs lost in the production of electronic and electrical machinery, and more than 3,700 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 17,615 workers in Tennessee 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 Tennessee 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.

<b>Company</b>	<b>City</b>	<b>What They Produced</b>	<b>Petitioners</b>	<b>Cause</b>	<b>Estimated Workers</b>
Leapwood Apparel	Adamsville	men's & women's knit shirt's	Company	NAFTA Imports	22
Contour Medical Technology	LaVergne	disposable medical electrodes	Workers	Moved to Canada	24
Steward	Chattanooga	ferrite components for the computer ind.	Company	Moved to Mexico	45
Sunbeam	Cookeville	small motor for blenders	Workers	Moved to Mexico	80
Triangle Auto Spring	Columbia	leaf springs	Company	Moved to Mexico	9
Hickory Hill Industries	Savannah	childrens sportsw ear	Company	Moved to Mexico	167
Hickory Hill Industries	Clifton	childrens sportswear	Company	Moved to Mexico	
United Sports Apparel	Pelham	warm-up suits, jackets	Company	NAFTA Imports	80

ROL Manufacturing of America	Brownsville	motor gaskets for cars and light line	Workers	Moved to Mexico	27
DM IV	Centerville	children's clothing	Company	NAFTA Imports	155
J and M Apparel	Finger	ladies' and children's apparel	Workers	NAFTA Imports	15
Osh Kosh B'Gosh	Celina	children's casual wear	Workers	Mexican Imports	300
Tri-Con Industries	Livingston	automotive seat covers	Workers	Moved to Mexico	190
Masterwear	Lexington	men's dress & casual slacks and jeans	Workers	NAFTA Imports	123
Masterwear	Ripley	men's dress & casual slacks and jeans	Workers	NAFTA Imports	95
Masterwear	Somerville	men's dress & casual slacks and jeans	Workers	NAFTA Imports	82
J.H. Collectibles	Pigeon Forge	blouses, jackets, skirts, slacks, shorts	Workers	NAFTA Imports	10
Stanley Works (The)	Shelbyville	striking tools (hammers, chisels &	Company	Moved to Mexico	80
Stanley Works (The)	Pulaski	hickory wood and tubular steel handles	Company	Moved to Mexico	16
Milltown Manufacturing	Red Boiling Springs	jeans	Workers	Moved to Mexico	75
Sunbeam	McMinnville	human and animal hair clippers	Workers	Moved to Mexico	275
Sunbeam	McMinnville	human and animal hair clippers	Workers	Moved to Mexico	275
American West Trading	Dresden	men's, women's and children's boots	Workers	NAFTA Imports	336

Leigh Knits	Bean Station	tee shirts	Workers	NAFTA Imports	50
International Wire	Erin	wiring harnesses	Company	Moved to Mexico	135
Rockwood Sportswear	Rockwood	men's and women's leather and wool coats	Workers	NAFTA Imports	140
Frigidaire	Athens	gas and electric ranges	IUE	Canadian Imports	117
C and H Apparel	Milan	men's and boys shorts	Company	NAFTA Imports	30
Levi Strauss	Centerville	denim jeans and jacketd	Company	Moved to Mexico	15
Levi Strauss	Knoxville	denim jeans and jackets	Company	Moved to Mexico	59
Levi Strauss	Knoxvill	denim jeans and jackets	Company	Moved to Mexico	33
Levi Strauss	Mountain City	denim jeans and jackets	Company	Moved to Mexico	1
Levi Strauss	Powell	denim jeans and jackets	Company	Moved to Mexico	21
Anchor Advance Products	Morristown	cosmetic containers	Workers	Moved to Mexico	19
Bemis	Cordova	bags and paper industrial bags	UNITE	Canadian Imports	70
Appalachian Finishing Works	Knoxville	tee shirts	Company	Moved to Mexico	70
Collegiate Sportswear	Kingston	sports jerseys	Workers	Mexican Imports	45
Nukote International	Franklin	ink ribbon & ink jet cartridges	Workers	Moved to Mexico	200
Robinson	Linden	men's and boys' sports apparel	Workers	NAFTA Imports	45
Robinson Manufacturing Comany	Parsons	men's and boys' sports apparel	Workers	NAFTA Imports	75
American Metal Products	LaFollette	grills and registers	Workers	Moved to Mexico	24

Specialty	Bristol	t-shirts, baby bibs	Workers	Moved to Mexico	75
Cannon County Knitting Mills	Smithville	shirts, blouses, dresses, and pajamas	Workers	NAFTA Imports	250
Henry I. Siegel	Saltillo	men's & women's denim jeans & slacks	Company	NAFTA Imports	211
Henry I. Siegel	Gleason	men's & women's denim jeans & slacks	Company	NAFTA Imports	186
Henry I. Siegel	Trezevant	men's & women's denim jeans & slacks	Company	NAFTA Imports	215
Henry I. Siegel	South Fulton	men's & women's denim jeans & slacks	Company	NAFTA Imports	441
Hit Apparel	Athens	women's sportswear, blouses, slacks	Workers	NAFTA Imports	25
American West Trading	Waverly	men's, women's & children's boots & shoe	Company	NAFTA Imports	50
A.D.H. Manufacturing	Farner	women's sportswear, t-shirts, slacks	Company	NAFTA Imports	70
Western Reserve Products	Gallatin	plastic window frames for doors	Workers	Moved to Mexico	165
Angelica Image Apparel	Waynesboro	men's and women's work pants and shirts	Company	Mexican Imports	112
Bosch Automotive Motor Systems	Hendersonville	fractional horsepower DC motor	Company	Moved to Mexico	63
Johnson Controls	Pulaski	foam headrests and armrests	Workers	Moved to Canada	110

Gurien Finishing	Union City	jeans	Company	Mexican Imports	84
Homemaker Industries	Athens	braided rugs	Company	Moved to Mexico	281
Siebe Automotive - Algood	Algood	automotive thermostats	Workers	Moved to Mexico	27
OshKosh B'Gosh	Gainesboro	girls and infants' dresses, shirts etc.	Workers	Mexican Imports	117
Zeneca Specialties	Mt. Pleasant	Chemical intermediates	IUOE	Mexican Imports	91
Kimberly Clark	Memphis	kleenex facial tissue & huggies diapers	Workers	NAFTA Imports	636
MTD Products	Brownsville	riding lawn equipment	UFCW	Moved to Canada	260
Fasco	Parsons	commutator end frame assemblies	Company	Moved to Mexico	48
Adams USA	Monterey	athletic equipment	Company	Moved to Mexico	102
Curtis Sportswear	Etowah	ladies' denim jeans, skirts & jackets	Company	NAFTA Imports	35
Angelica Image Apparel	Savannah	uniform and healthcare products	Company	Moved to Mexico	80
Daugherty Manufacturing	Knoxville	t-shirts	Workers	Moved to Mexico	25
Salant Corporation	Obion	children's sleepwear	Company	Moved to Mexico	145
Plaid Clothing	Knoxville	men's suits	UNITE	Mexican Imports	200
Paris Fashions	Paris	men's and women's clothing	Workers	NAFTA Imports	41
Breed Technologies	Maryville	sewing of airbags	Workers	Moved to Mexico	60

Jet Composites	Bluffton	hoodliners and heat shields	GMPPAW	Moved to Canada	133
Levi Strauss	Johnson City	denim and dockers	Company	Moved to Mexico	345
Levi Strauss	Mountain City	denim and dockers	Company	Moved to Mexico	15
Levi Strauss	Powell	denim and docker	Company	Moved to Mexico	1030
Glenoit	Jacksboro	sliver knit pile fabric	Company	Moved to Canada	345
Red Kap Industries	Cookeville	work pants & coveralls	Company	Moved to Mexico	296
Summit Sportswear	Minor Hill	t-shirts	Workers	Mexican Imports	56
VF Workwear	Erwin	occupational apparel	Company	Moved to Mexico	230
Thomas Bradford Shirt	Huntington	men's, women's & children shirts	UNITE	Mexican Imports	70
Cannon County Knitting Mills	Smithville	shirts, blouses	Workers	NAFTA Imports	250
Trico Products	Lawrenceburg	automotive windshield wiper blades	Workers	Moved to Mexico	224
Henry I. Siegel	Saltillo	men's & women's denim	Company	NAFTA Imports	211
Henry I. Siegel	Gleason	men's & women's denim	Company	NAFTA Imports	186
Henry I. Siegel	Trezevant	men's & women's denim	Company	NAFTA Imports	215
Henry I. Siegel	South Fulton	men's & women's denim	Company	NAFTA Imports	441
Henry I. Siegel	Bruceston	men's & women's denim	Company	NAFTA Imports	300
I. Appel	McMinnville	underwear and outerwear	Workers	Moved to Mexico	170
I. Appel	Lafayette	underwear and outwear	Workers	Moved to Mexico	

Specialty	Bristol	t-shirts, baby bibs	Workers	Moved to Mexico	75
Harman Automotive	Bolivar	exterior rearview	UAW	Canadian Imports	407
Advance Transformer	Wartburg	power supply	Company	Moved to Mexico	132
OshKosh B'Gosh	Jamestown	boy's & girl's knit	Workers	Moved to Mexico	242
Stanley Works (The)	Shelbyville	hand tools hammers	Company	Moved to Mexico	198
Hit Apparel	Athens	women's sportswear,	Workers	NAFTA Imports	25
Indiana Knitwear	Greanfield	men's & boys' knits shirts	Workers	Moved to Mexico	22
Pharr Yarns	Greeneville	direct view televisions	Workers	Moved to Mexico	6
VF Workwear	Dickson	men's work shirts	Company	Moved to Mexico	262
Potlatch	Bristol	booster cables, battery cables	Company	Moved to Mexico	41
A.O. Smith Electrical Products	Gordonsville	electrical motors	Company	Mexican Imports	140
Evy of California	Maryville	injection molded plastics parts	Company	Mexican Imports	55
Scott Logging	Memphis	color television	IBEW	Moved to Mexico	318
Equitable Resources Energy	Kingsport	exploration of natural gas	Company	Canadian Imports	46
Basler Electric	Huntingdon	small transformer	Workers	Mexican Imports	77
Frigidaire	Athens	GR style range (stove)	Company	Moved to Canada	76
Lincoln Brass Works	Waynesboro	brass valves and assemblies	IAM	Moved to Mexico	127

Brown Group	Dyer	shoes	UFCW	Canadian Imports	
Brown Group	Lexington	shoes	UFCW	Canadian Imports	
ABEPP Acquisition	Manchester	electrical wiring harnesses	Company	Mexican Imports	63
Wrangler	Newbern	jeans	Workers	Mexican Imports	722
Wrangler	Troy	jeans	Workers	Mexican Imports	
USA Enterprises	Spencer	men's dress pants and jeans	Company	Mexican Imports	301
USA Enterprises	Sparta	men's dress pants and jeans	Company	Mexican Imports	
UCAR Carbon	Columbia	graphite electrodes	IUOE	Moved to Mexico	279
Standard Textile Contractors	Knoxville	golf shirts	Company	Mexican Imports	40
W.F. Stephens	Pulaski	denim jeans	Company	Mexican Imports	136
W.F. Stephens	Nashville	denim jeans	Company	Mexican Imports	
Textile Networks	Knoxville	tee shirts	Company	Moved to Mexico	43
Bike Athletic	Knoxville	athletic shorts and jerseys	Company	Moved to Mexico	
Harvard Industries	Sevierville	power packs & remote control assemblies	Company	Moved to Mexico	100
Palm Beach	Knoxville	men's suits	Workers	Moved to Mexico	252
Scotts Hill Leisurewear	Scotts Hill	ladies' robes, sleepwear	Workers	Moved to Mexico	43
Scotts Hill Leisurewear	Henderson	ladies' robes, sleepwear	Workers	Moved to Mexico	
American Apparel	Knoxville	various styles of t-shirts	Workers	NAFTA Imports	25

A and C Enterprises	Carthage	ladies house robes	Workers	Mexican Imports	47
American Olean Tile	Jackson	glaze wall tile	Workers	Moved to Mexico	253
Avery Dennison	Crossville	writing instruments	Company	Moved to Mexico	227
Still Man Heating Products	Cookeville	heating elements	Company	Moved to Mexico	130
Hit Apparel	Athens	children's Pajamas	Workers	Canadian Imports	18
Three G's	Crossville	polo & golf knit shirts	Company	Mexican Imports	41
Findlay Industries	Morrison	automobile seat covers	UNITE	Moved to Mexico	95
OshKosh B'Gosh	Byrdstown	children's apparel	Company	Moved to Mexico	199
				<b>Total</b>	17615

<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 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.

<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>.