

NAFTA's Impact on Washington

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

**New Reports Show 14,000 Jobs Lost in Washington;
766,000 Jobs Lost Nationwide**



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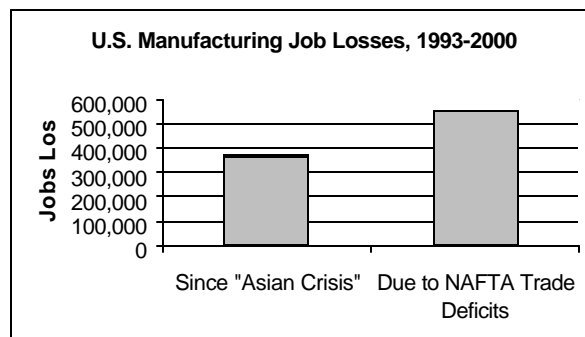
NAFTA's Impact on Washington: Job Loss Has Led to Downward Pressure on Wages and Living Standards

New Reports Show 14,000 Jobs Lost in Washington; 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 Washington 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 Washington 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 **more than 14,000 of NAFTA's lost jobs and job opportunities were in Washington**, with 9,500 direct net job losses in manufacturing. The manufacturing job loss in Washington included 2,400 jobs lost in the production of transportation equipment, and more than 2,300 jobs lost in the manufacture of lumber and other wood products.ⁱⁱⁱ By April 2001, the government's NAFTA -Transitional Adjustment Assistance program (NAFTA-TAA), which only counts some NAFTA job losses, had certified 10,160 workers in Washington 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 Washington 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 Washington NAFTA-TAA Certifications as of April, 2001					
Company	City	What They Produced	Petitioners	Cause	Estimated Workers
Elf Atochem	Tacoma	industrial chemicals for forestry	Workers	Canadian Imports	118
Lodestar Industrial Contractors	Colville	mill equipment	Company	NAFTA Imports	27
Lennon Foods	Seattle	processed pork and meat products	UFCW	Canadian Imports	45
Pacific Sound Resources	Seattle	pressure preserved lumber, poles & pilin	Workers	Canadian Imports	24
Boise Cascade	Vancouver	specialty-coated and security paper	AWPPW	NAFTA Imports	346
Timberline Forest Products	Burlington	cut stock & laminated stiles & rails	Workers	Canadian Imports	28

Portac	Tacoma	lumber	WCIW	NAFTA Imports	19
Theel Shake	Nailton	cedar shakes and shingles	Workers	Canadian Imports	10
D and R Cedar Products	Forks	cedar shakes and shingles	Workers	Canadian Imports	10
Design House	Stanwood	wood turnings	Workers	Moved to Canada	45
C and P Cedar Sales	Copalis Crossing	shakes	Company	Canadian Imports	2
Greco Manufacturing	Puyallup	sunrooms, walls, beams for modular homes	Company	Moved to Canada	20
SSF Building Materials	Northport	dried finished lumber	Company	Canadian Imports	15
Scott Worldwide	Everett	pulp, tissue, raw wood chips and fiber	AWPPW	NAFTA Imports	300
Jansport	Burlington	backpacks	Workers	Moved to Mexico	350
Larson Shingle	Forks	red cedar shingle	Company	Canadian Imports	3
S. Madill	Kalama	logging equipment	IAM	Moved to Canada	34
Sun Gro Horticulture	Puyallup	plant soil	Workers	Moved to Canada	29
Barbee Mill	Renton	softwood dimensional lumber	WCIW	Moved to Canada	49
Omak Wood Products	Omak	plywood	IBCJ	Canadian Imports	67
Hewlett Packard	Vancouver	printers circuit board	Workers	Moved to Mexico	250
Seattle Gear	Seattle	women's casual sportswear	Workers	Moved to Mexico	105

New American Wood Products	Winlock	finished wood products	Workers	Moved to Canada	45
Hewlett Packard	Vancouver	printers	Workers	Moved to Mexico	755
Hewlett Packard	Vancouver	printers	Workers	Moved to Mexico	232
Scab Rock Feeders	Othello	beef	Workers	Canadian Imports	25
Champion International	Klickitat	dimension soft wood lumber	CJA	Canadian Imports	100
Triquest Precision Plastics	Vancouver	molded plastic housings for computers	Company	Moved to Mexico	140
D & R Cedar Products	Forks	cedar shakes and shingles	Company	Canadian Imports	6
Key Tronic	Spokane	keyboards for computers	Company	Moved to Mexico	457
Welco Lumber	Marysville	cedar lumber and boards	Company	Canadian Imports	125
Nalley's Fine Foods	Tacoma	snack foods, corn chips, tortilla chips	Workers	Moved to Canada	20
Borden Chemical	Kent	formaldehyde, UF concentrate and resin	Workers	Moved to Canada	6
Weyerhaeuser	Longview	sodium hydroxide and chlorine	Company	NAFTA Imports	85
BEST Shingle	Aberdeen	western red cedar products	Workers	Canadian Imports	12
Simmons Upholstered Furniture	Vancouver	upholstered furniture	Workers	Moved to Mexico	20
Washington Public Power Supply System	Richland	electricity	OCAW	Canadian Imports	360
Cascade Corporation	Vancouver	welded heel forks	IW	Moved to Canada	90

Washington Public Supply System	Richland	electricity	OCAW	Canadian Imports	
Washington Public Supply System	Satsop	electricity	OCAW	Canadian Imports	
Stroh Brewery (The)	Seattle	beer beverages	Company	Mexican Imports	210
Cutler Hammer	Everett	electronic sensors	Company	Moved to Mexico	20
Abitibi Consolidated	Lakwood	paper	AWPPW	Moved to Canada	40
Burns Philip	Sumner	yeast	IBT	Moved to Canada	13
Thomas and Betts	Ken	cable TV communications products	Company	Moved to Mexico	320
Crescent\US Mat, LLC	Seattle	matboards for picture frames	KCRSC	Moved to Mexico	110
Mexmil Company (The)	Everett	blankets for commercial aircrafts	Company	Moved to Mexico	28
D & G Shake	Amanda Park	red cedar shakes, shingles, hip & ridge	Company	Canadian Imports	8
Comptec	Custer	telephone keys and key pads	Company	Moved to Canada	105
Key Tronic	Cheney	keyboards and keytops for PC's	Company	Moved to Mexico	277
Hewlett Packard	Vancouver	computer printers	Workers	Moved to Mexico	199
Nordic Group (The)	Vancouver	swimwear & fleecewear	Workers	Mexican Imports	150
Humanix Temporary Services	Spokane	keyboards and keytops for PC's	Company	Moved to Mexico	

Thaw Corporation	Wenatchee	fleecewear & thermal underwear	Company	Mexican Imports	75
Seattle Gear	Seattle	women's casual	Workers	Moved to Mexico	105
New American Wood Products	Winlock	finished wood products	Workers	Moved to Canada	45
West Pac Cedar Products	Humptulips	cedar shakes	Company	Canadian Imports	3
Omak Wood Products	Omak	plywood	IBCJ	Canadian Imports	67
Jantzen	Vancouver	men's, women's &	Workers	Moved to Mexico	430
Hewlett Packard	Vancouver	printers	Workers	Moved to Mexico	755
Hewlett Packard	Vancouver	printers	Workers	Moved to Mexico	232
Morton Forest	Morton	stud lumber	Company	Canadian Imports	25
Hewlett Packard	Vancouver	printers circuit board	Workers	Moved to Mexico	250
Wildfire Pacific	Kent	firefighting equipment	IAM	Moved to Canada	35
Seattle Shake and Shingle	Forks	cedar shakes and shingles for roofing	Company	Canadian Imports	9
Peterson Shake	Amanda Park	cedar shakes, shingles, cedar hips	Workers	Canadian Imports	10
Summit Timber	Dappington	lumber/timber	Workers	Canadian Imports	97
Seattle Wash	Seattle	men's & boys' cotton knit shorts	Workers	Moved to Mexico	9
Lebanite Corporation	Kent	linear lighting products	Workers	Moved to Canada	79
Thaw Corporation	Seattle	recreational garments	Company	Mexican Imports	85

Quality Veneer and Lumber	Seattle	dimension lumber	IAM	Canadian Imports	120
C and M	Bellingham	denim jeans	Company	NAFTA Imports	120
McCormick Ridge	Copalis Crossing	cedar ridges and shakes	Company	Canadian Imports	2
Stetson Cedar Products	Forks	red cedar shingles	Company	Canadian Imports	7
Louisiana Pacific	Tacoma	lumber products	Company	Canadian Imports	
Louisiana Pacific	Walla Walla	lumber products	Company	Canadian Imports	
Pacific Lumber & Shipping	Seattle	lumber	CJA	Canadian Imports	59
Crown Pacific	other locations in ID, MT	lumber	IWA	Canadian Imports	
John Chopot Lumber	Colville	dimensional lumber	Company	Canadian Imports	25
MCE Technical Services	Richland	electrical energy	Workers	Canadian Imports	67
Vaagen Bros. Lumber	Colville	lumber	Company	NAFTA Imports	200
Nintendo of America	Redmond	electronic game sets	Workers	Moved to Mexico	136
Pacific Power	All locations	electricity	UWUA	Canadian Imports	
Cominco American	Spokane	fertilizer and sulfur dioxide	USWA	Moved to Canada	8
Pacific Power and Light	Centralia	electricity	IBEW	Canadian Imports	307
C & R Cedar	Forks	cedar shakes and shingles for roofing	Company	Moved to Canada	6

Omak Wood Products	Omak	lumber	WCIW	NAFTA Imports	34
WTD	Morton	lumber	WCIW	Canadian Imports	80
Boise Cascade	Yakima	lumber	CJA	Canadian Imports	50
Mike's Blocks	Forks	cedar shakes and shingles	Workers	Canadian Imports	5
Proform Products USA	Everson	automobiles hardtops	Workers	Moved to Canada	30
Pope & Talbot	Port Gamble	dimension lumber for domestic markets	CJA	Canadian Imports	135
Weyerhaeuser	Longview	lumber	IAM	NAFTA Imports	35
Mayr Brothers Logging	Hoquiam	wood products	Company	NAFTA Imports	183
Lindal Cedar Home	Kent	custom home material packages	IBT	Moved to Canada	19
Ratelco Electronics	Seattle	power supply systems	Workers	Mexican Imports	57
Miller Shingle Co./Enterprise Lumber Div	Granite Falls	cedar board lumber	Company	Canadian Imports	165
Borden Chemical	Kent	formaldehyde, UF concentrate and resin	Company	Moved to Canada	14
Key Tronic	Spokane	plastic molded parts	Company	Moved to Mexico	78
Ropak Northwest	Kent	plastic containers	Workers	Moved to Canada	50
Trumark Industries	Spokane	finger joint studs	Workers	Canadian Imports	3
				Total	10160

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- 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>.