

# **NAFTA's Impact on Wisconsin**

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

**New Reports Show 19,000 Jobs Lost in Wisconsin;  
766,000 Jobs Lost Nationwide**

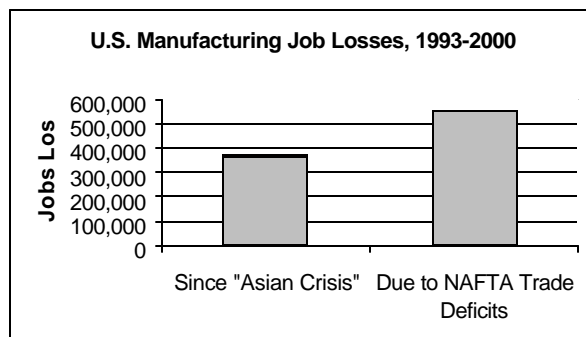


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to lead to a different result.

**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%<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 Wisconsin 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  
Wisconsin 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>
Advance Transformer	Monroe	electromagnetic lighting ballasts	Workers	Mexican Imports	100
Precision Interconnect	Waupur	interface cables	Workers	Moved to Mexico	120
Johnson Controls	Milwaukee	actuator assembly for the VG7000 valve	IAM	Moved to Mexico	12
Badger Paper Mills	Peshtigo	pulp	GCIU	Canadian Imports	69
Norco Windows	Hawkins	door frames and casings	OCAW	Canadian Imports	443
Protein Genetics	Deforest	bovine semen	Workers	Moved to Canada	40

Precision Machining and Polishing	Milwaukee	machined bases for industrial jakcs	Company	NAFTA Imports	12
Johnson Controls	Milwaukee	VT series terminal unit valves	IAM	Mexican Imports	183
Hecht Manufacturing	Milwaukee	women's skirts and pants	ILGWU	Mexican Imports	74
J.H. Collectibles	Milwaukee	blouses, jackets, skirts, slacks, shorts	Workers	NAFTA Imports	241
Navistar International Transportation	Waukesha	line assembly	USWA	Moved to Canada	32
National Sportswear	Reedsburg	ladies blouses	Workers	NAFTA Imports	25
Rockwell Automation/ Allen-Bradley	Mauston	electronic printed circuit boards	Workers	Moved to Mexico	48
Square D	Milwaukee	low and medium voltage transformers	IBEW	Mexican Imports	159
In-Sink-Erator	Elkhorn	hot water dispensers	Workers	Moved to Mexico	50
Landmark USA	Berlin	moccasins, slippers and sandals	Workers	NAFTA Imports	100
Kimberly Clark	Marinette	tissue paper, bath tissue	UPIU	Mexican Imports	32
Ergodyne	Pence	gloves, tennis elbows and wrist braces	Workers	Moved to Mexico	18
Kimberly Clark	Oconto Falls	tissue paper, bath tissue	UPIU	Mexican Imports	437

Morgan Products	Oshkosh	doors and door trim	UBC&J	Canadian Imports	70
C.R. Bard	Wausau	drainage bags and leg bags	Workers	Moved to Mexico	87
Badger Paper Mills	Peshtigo	paper and packaging	Workers	NAFTA Imports	76
Rayovac	Madison	heavy duty batteries	IAMAW	NAFTA Imports	61
Tri Clover	Kenosha	tubular fittings	IAMAW	Moved to Mexico	121
Square D - Group Schneider	Milwaukee	low voltage transformers	IBEW	Moved to Mexico	52
Paragon Electric	Two Rivers	motor controls	IBEW	Moved to Mexico	134
Inter Lake Papers	Kimberly	printing paper (Freesheet &	PMWU	Canadian Imports	125
Louis Allis	Milwaukee	electric motors and generators	IUE	Moved to Mexico	220
Harman International	Prairie du Chie	automotive speakers	Workers	Moved to Mexico	35
Stroh Brewery (The)	LaCrosse	beer beverages	Company	Mexican Imports	604
Chamberlain Moore O Matic	Waupaca	garage door openers	Workers	Moved to Mexico	132
Master Lock	Milwaukee	laminated locks	UAW	Moved to Mexico	750
Woodward Governor	Stevens Point	aircraft fuel controls	Workers	NAFTA Imports	1330
Anderson Bros. and Johnson	Wausau	granite	Workers	Canadian Imports	40
Blount	Spencer	hydraulic cylinders	Company	Canadian Imports	23

Rexam Medical Packaging	Madison	preform bags	Workers	Moved to Mexico	6
Badger Paper Mills	Peshtigo	paper and packaging	Workers	NAFTA Imports	76
Apparel Specialists	Green Bay	men's & women's t-shirts	Company	Mexican Imports	4
Florence Eiseman	Milwaukee	children's apparel	Workers	NAFTA Imports	49
O'Bryan Brothers	Richland Center	women's underwear and day wear	Workers	Moved to Mexico	49
Monterey	Janesville	fabric and coats	UNITE	Canadian Imports	132
Elliott Corporation	Gillett	welding gloves	Workers	Moved to Mexico	34
Kenro	Fredonia	fiberglass trays	Company	Moved to Mexico	2
Powers Holdings	Milwaukee	terminal blocks	Workers	Moved to Mexico	24
Erie Controls	Milwaukee	electrical components	Company	Moved to Mexico	168
Lind Shoe	Somerset	shoes	Workers	Moved to Mexico	50
LaCrosse Footwear	Clintonville	leather boots	Workers	Moved to Mexico	35
Triquest Precision Plastics	Vancouver	plastics housings for computer printers	Company	Moved to Mexico	100
Strattec Security	Glendale	automotive locks and keys	UPIU	Moved to Mexico	112
Miniature Precision Components	Walworth	bent and barbed plastic tubing	Workers	Moved to Mexico	40
Blue Eagle Exploration	various locations	oil and gas	Company	NAFTA Imports	
Woodwork of America	Merrill	architectural millwork	CJA	Canadian Imports	84
Montello Products	Montello	wire harnesses	Workers	Moved to Mexico	25

Miller Brewing	Milwaukee	beer	UAW	NAFTA Imports	70
Pabst Brewing	Milwaukee	beer	UAW	NAFTA Imports	
Western Publishing	Racine	books	Workers	NAFTA Imports	800
Stora Enso Consolidated Papers	Wisconsin Rapids	paper and plup	Company	NAFTA Imports	156
Monona Wire Corporation	Wayzeka	wire harnesses	Workers	Moved to Mexico	40
Rockwell Automotive	Milwaukee	industrial controls	UE	Moved to Mexico	50
Velvac	New Berlin	components for heavy trucks	Workers	Moved to Mexico	125
Tower Automotive Products	Milwaukee	truck side rails	USWA	Moved to Mexico	250
Prime Cast	Beloit	iron castings	Workers	Canadian Imports	170
Vilter Manufacturing	Cudahn	pressure vessels	USWA	Canadian Imports	23
				<b>Total</b>	8729

<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.

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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>.