

Michigan: Lost Jobs, Surging Deficits, Rising Inequality under “Free Trade” Deals

The **Trans-Pacific Partnership (TPP)**, just negotiated behind closed doors with 11 Pacific Rim nations, would expand the North American Free Trade Agreement (NAFTA) “trade” pact model that has spurred massive U.S. trade deficits and job loss, downward pressure on wages, unprecedented levels of inequality and new floods of agricultural imports. The TPP expands NAFTA’s special protections for firms that offshore U.S. jobs. And U.S. negotiators literally used the 2011 Korea Free Trade Agreement (FTA) – under which exports have fallen and trade deficits have surged – as the template for the TPP.

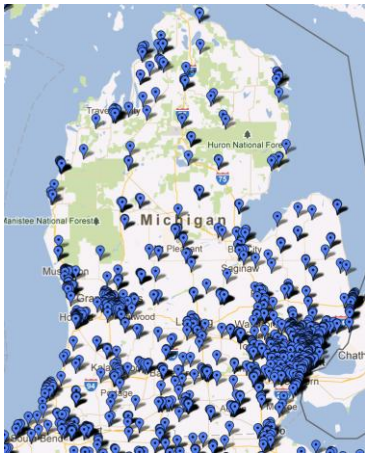
Massive Trade-Related Job Losses for Michigan

Michigan has lost more than 231,000 manufacturing jobs – about one out of three – since the 1994 NAFTA and the World Trade Organization agreements took effect. Nearly five million manufacturing jobs have been lost nationwide.

U.S. manufacturing workers who lose jobs to trade and find reemployment are typically forced to take pay cuts. Three of every five who were rehired in 2014 took home smaller paychecks, and one in three lost greater than 20 percent, according to Department of Labor data.

More than 154,000 specific Michigan jobs have been certified under the Trade Adjustment Assistance (TAA) program as lost to offshoring or imports since NAFTA. These numbers significantly undercount trade-related job loss as TAA only covers a subset of jobs lost to trade.

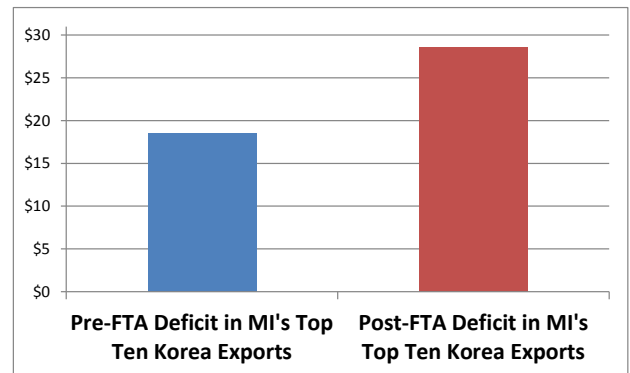
154,497 Trade-Related Michigan Job Losses Certified Under Just One Dept. of Labor Program since NAFTA



Lower Peninsula workplaces with trade-related job losses –
For a full list see www.citizen.org/taadatabase

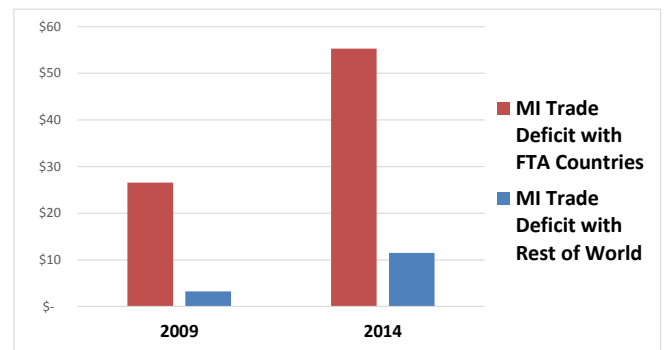
U.S. Trade Deficit with Korea in MI’s Top 10 Korea Exports Grows 54% under Korea FTA

The U.S. trade deficit with Korea in the top 10 products that Michigan exports to Korea – including everything from vehicles to machinery to metal manufacturing – ballooned 54 percent in the FTA’s first three years.



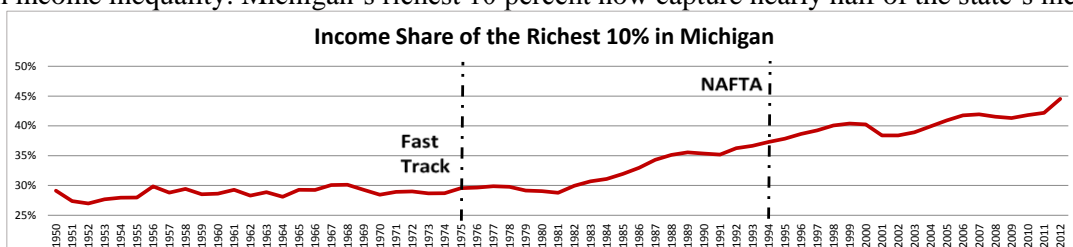
MI Trade Deficits Balloon under FTAs

Michigan’s trade deficit with the 20 U.S. FTA partners is nearly five times larger than its deficit with the rest of the world. Michigan’s FTA deficit has grown more than three times as much as its non-FTA deficit since 2009.



Michigan Income Inequality Soars during Era of NAFTA-Style Deals

Study after study shows an academic consensus that the status quo trade model has contributed significantly to the historic rise in income inequality. Michigan’s richest 10 percent now capture nearly half of the state’s income.



Michigan Cannot Afford the TPP's Expansion of the NAFTA "Trade" Pact Model

Exports of MI Agri. Products Fall under FTAs

U.S. exports to Canada and Mexico of cattle – one of Michigan's top agricultural products – fell 46 percent in the first 21 years of NAFTA. And in the first three years of the Korea FTA, U.S. exports to Korea of greenhouse/nursery products and corn – two more top Michigan agricultural products – dropped 14 and 59 percent, respectively.

MI Trade Deficits Balloon under FTAs

Time and again, defenders of the trade status quo have tried to sell NAFTA-style deals to Congress with the promise that they would reduce U.S. trade deficits. Time and again, they have been wrong. Michigan's trade deficit with the 20 countries that are U.S. FTA partners has grown more than \$28 billion since 2009, while its trade deficit with non-FTA partners has grown less than \$9 billion. Today, Michigan's trade deficit with FTA partners comprises 83 percent of the state's total trade deficit. **Nationwide, the aggregate U.S. trade deficit with FTA partners has grown 427 percent since the deals took effect, while declining 11 percent with all non-FTA countries in the relevant period.** The current attempt to use the same old promises of trade deficit reduction to sell the TPP defies the evidence.

Net Exports of MI Goods Fall under Korea FTA

Michigan's exports have fared poorly under the most recent Fast-Track expansion of the NAFTA trade model – a 2011 FTA with Korea that literally has served as the U.S. template for the TPP. In the first three years of the Korea FTA, the U.S. trade deficit with Korea in the top ten products that Michigan exports to Korea – including everything from vehicles to machinery to metal manufacturing – grew 54 percent as exports stagnated and imports rose. **The overall U.S. goods trade deficit with Korea surged \$13.6 billion (90 percent). According to the administration's trade-jobs ratio, that equates to the loss of over 90,000 U.S. jobs in three years of the FTA.**

Michigan Inequality Soars during FTA Era

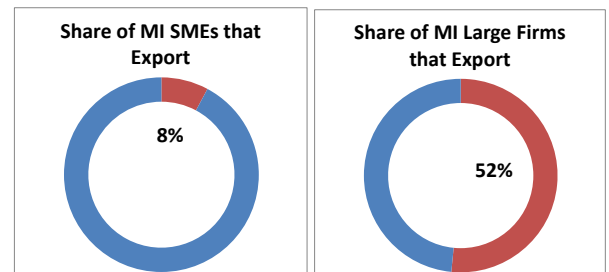
The richest 10 percent in Michigan are now capturing nearly half of all income in the state – a degree of inequality not seen in the 100 years for which records exist. Study after study has produced an academic consensus that status quo trade has contributed to today's unprecedented rise in income inequality. NAFTA-style pacts have promoted the offshoring of well-paying U.S. manufacturing jobs, spurring broad middle-class wage stagnation as trade-displaced workers compete for lower-paying, non-offshoreable service sector jobs. A Center for Economic and Policy Research study finds that under the TPP, 90 percent of U.S. workers would lose more to inequality increases than gained in cheaper goods, spelling a pay cut.

Small Businesses Are Not Helped by FTAs

NAFTA-style pacts are often sold to Congress as promoting the interests of small and medium enterprises (SMEs) on the basis that they comprise most exporters. Even if setting aside the government data showing that FTAs have not actually increased export growth, SMEs comprise most exporters simply because they constitute 99.7 percent of U.S. firms. The more relevant question is what share of SMEs actually depend on exports for their success. In Michigan, only 8 percent of SMEs export any good to any country. In contrast, 52 percent of large firms in Michigan are exporters. Exporting is primarily the domain of large corporations, not small businesses.

Eleven out of Twelve Michigan Small and Medium Businesses Do Not Rely on Exports

Exporting is primarily the domain of large corporations – only 8 percent of Michigan's small and medium enterprises export any products, compared with 52 percent of the state's large firms.



TPP and TTIP Would Empower 1,233 Foreign Firms to Attack Michigan Policies

The TPP and the Transatlantic Trade and Investment Partnership (TTIP) would empower foreign corporations to bypass domestic courts and challenge U.S. and Michigan health, environmental and other public interest policies that they claim undermine new foreign investor rights not available to domestic firms under U.S. law. This controversial "investor-state dispute settlement" (ISDS) system would authorize foreign tribunals of three private attorneys unaccountable to any electorate to rule against policies and order unlimited taxpayer compensation for foreign firms' "expected future profits." Tribunals have ordered governments to pay foreign investors \$3.6 billion under existing U.S. pacts in ISDS attacks on environmental protections, health and safety measures and more, while more than \$34 billion is pending. The TPP and TTIP would expose Michigan and U.S. policies to an unprecedented increase in ISDS liability, given the 1,233 firms in Michigan owned by corporations in EU or TPP countries, any one of which could launch an ISDS claim.

Sources: International Trade Administration, U.S. International Trade Commission, U.S. Census Bureau, U.S. Bureau of Labor Statistics, U.S. Department of Agriculture, Office of TAA, Prof. Mark W. Frank, Uniworld, Center for Economic and Policy Research, Economic Policy Institute