

Indiana: Lost Jobs, Rising Deficits and Stagnant Wages Under NAFTA

The North American Free Trade Agreement (NAFTA) was negotiated behind closed doors with hundreds of official corporate advisors. NAFTA's proponents promised it would create 200,000 American jobs per year in its first five years by improving the U.S. trade balance with Mexico and Canada, and raise wages here and in Mexico. Twenty-four years later, the new jobs never materialized. But there are nearly 1 million U.S. jobs certified as lost to NAFTA under just one narrow government program, while U.S. wages have stagnated. Every month more jobs are outsourced to Mexico, where industrial workers make less than \$2 per hour. A small trade surplus with Mexico and small deficit with Canada have become a large and persistent NAFTA trade deficit. Meanwhile, corporations have collected more than \$392 million in taxpayer money using NAFTA's "investor-state" tribunals, where corporations can sue governments before panels of three private lawyers to demand unlimited sums of taxpayer funds in claims that our laws violate the corporations' NAFTA rights. NAFTA must be replaced just to stop its ongoing damage, much less to actually benefit working people in the NAFTA countries.

Large Trade-related Job Loss in Indiana

Indiana has had a net loss of more than 90,000 manufacturing jobs since the 1994 NAFTA and 1995 World Trade Organization (WTO) agreements went into effect. More than 102,000 specific Indiana jobs have been certified under one narrow government program, Trade Adjustment Assistance (TAA), as lost to outsourcing or imports since NAFTA. The TAA figure represents a significant undercount because the program's scope excluded many types of jobs lost to trade. According to the Department of Labor, manufacturing workers who lose jobs to trade and find reemployment are typically forced to take pay cuts. Two of every five rehired in 2016 were paid less in their new jobs. One in four lost greater than 20 percent of their income. That means a \$7,900 pay cut for the median-wage worker earning \$39,500. With displaced manufacturing workers competing for jobs not exposed to trade competition, wages in fast-growing service sectors are kept down. The resulting broad-based middle-class wage stagnation has contributed significantly to growing inequality.

102,468 Indiana Trade-related Job Losses Certified Under Just One Dept. of Labor Program Since NAFTA



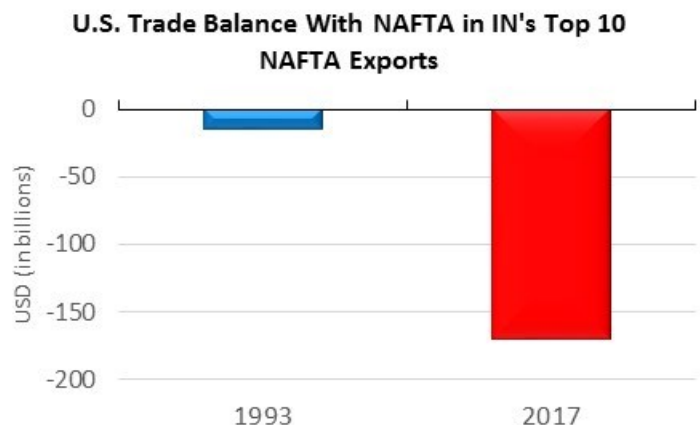
*IN workplaces with trade-related job losses
For a full list see www.citizen.org/taadatabase*

Small Trade Surplus with Mexico, Small Deficit with Canada Becomes a \$158 Billion NAFTA Deficit by 2017

A small U.S. trade surplus with Mexico and small deficit with Canada before NAFTA became a large deficit by 2017. Under NAFTA, imports from Mexico and Canada soared while the growth of U.S. manufacturing and services exports slowed. Our combined goods and services trade deficit with Mexico and Canada rose (in inflation-adjusted terms) from \$10.5 billion before NAFTA in 1993 to \$158.3 billion in 2017.

For Indiana's Top 10 Exports, U.S. Trade Deficit With Mexico and Canada Expands Under NAFTA

Before NAFTA, the United States had a small trade deficit with Mexico and Canada in the top 10 products that Indiana exports to the NAFTA nations – including electrical machinery and transportation equipment. That has turned into a massive \$169 billion deficit as the increase in NAFTA imports swamped the increase in U.S. exports to Mexico and Canada.



Indiana Needs a Complete Replacement of “Trade” Deals Like NAFTA

Net Loss: Trade-related Wage Losses Outweigh Gain From Cheaper Imports

The Center for Economic and Policy Research (CEPR) revealed that when comparing the lower prices of cheaper imported goods to the income American workers lost from low-wage competition under current trade policy, by 2001 the trade-related wage losses were larger than gains from access to cheaper goods for the majority of U.S. workers. CEPR found that those without college degrees (58 percent of the workforce) had likely lost an amount equal to 12.2 percent of their wages under NAFTA-style trade, even after accounting for the benefits of cheaper imports. That meant a net loss of more than \$3,965 per year for the average worker.

A net loss of nearly 4.5 million American manufacturing jobs in the NAFTA/WTO era also eroded tax bases. The loss of 50,000 manufacturing facilities in the NAFTA/WTO era has meant less tax revenue for infrastructure projects as well as for schools and social services. This resulted in the virtual collapse of some local governments in areas hardest hit.

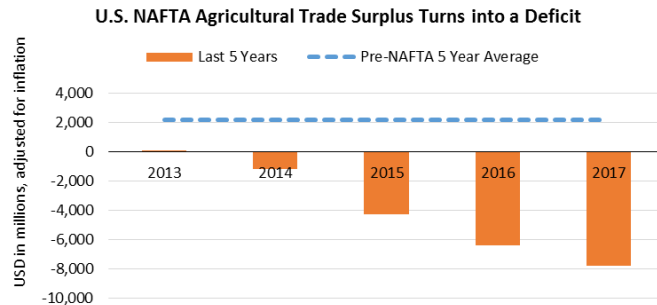
NAFTA’s Damaging Trade Trends

Since NAFTA, the annual growth of the U.S. goods trade deficit has been 43 percent higher with Mexico and Canada than with nations that do not have U.S. “free trade” deals – a group that includes China. For example, the U.S. deficit with Mexico and Canada in transportation equipment – a top Indiana export – has tripled. Also, the United States’ \$5 billion trade surplus before NAFTA with Mexico and Canada in electrical machinery – another top export – has now turned into a \$37 billion deficit.

Growth in U.S. manufacturing *and services* exports to NAFTA partners has slowed since NAFTA went into effect. Annual growth in U.S. manufacturing exports to Canada and Mexico has fallen 73 percent below the annual rate in the pre-NAFTA years. Annual U.S. services exports growth has fallen to less than half the pre-NAFTA rate. The goods deficit is not in fossil fuels, as the share of the U.S. NAFTA goods trade deficit that is comprised of fossil fuels has declined under NAFTA (from 82 percent before NAFTA in 1993 to 20 percent in 2017). The deficit with Mexico and Canada is largely comprised of manufactured and agricultural goods.

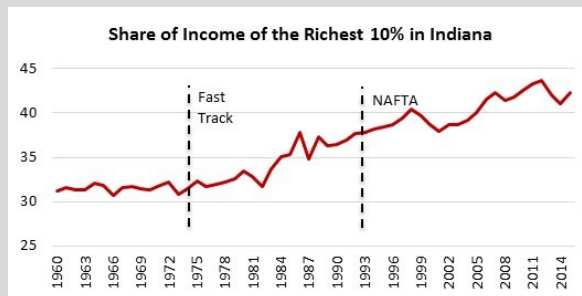
FTAs Fail to Boost U.S. Agriculture

Nationwide, the U.S. agricultural trade balance with NAFTA partners has fallen from a \$2.6 billion trade surplus in the year before NAFTA to a \$7.7 billion trade deficit in 2017 – the largest NAFTA agricultural trade deficit to date. The average U.S. agricultural trade balance with NAFTA countries *over the last five years* was \$6.1 billion below the average balance in the five years before NAFTA.



Indiana Income Inequality Soars During Era of NAFTA-style Deals

Study after study reflects an academic consensus that the status quo trade model has contributed significantly to the historic rise in income inequality. Indiana’s richest 10 percent now capture 42 percent of the state’s income, compared to 38 percent before NAFTA.



All Data Sources: Int’l Trade Admin., U.S. International Trade Commission, U.S. Census Bureau, U.S. Bureau of Labor Statistics, U.S. Dept. of Agriculture, Office of Trade Adjustment Assistance, Prof. Mark W. Frank, Uniworld, Center for Economic and Policy Research, Economic Policy Institute.

For more information visit www.tradewatch.org