

FAST TRACK TO LOST JOBS

Trade deficits and manufacturing decline are the legacies of NAFTA and the WTO

by Robert E. Scott

The U.S. has experienced steadily growing trade deficits for nearly three decades, and these deficits have accelerated rapidly since the North American Free Trade Agreement took effect in 1994 and the World Trade Organization was created in 1995. The toll on U.S. employment has been heavy: from 1994 to 2000, growing trade deficits eliminated a net total of 3.0 million actual and potential jobs from the U.S. economy.¹

Yet despite substantial evidence that current trade policies have resulted in massive trade deficits and job losses, the Bush Administration is pressing Congress for “fast track” trade negotiating authority, by which the President could submit trade agreements to Congress for a yes or no vote without amendment.² Fast-track promoters want this authority to make it easier to extend NAFTA throughout the hemisphere in a proposed Free Trade Area of the Americas (FTAA) agreement and to expand the WTO in a new round of multilateral negotiations. Promotion of fast track has even made its way into the post-September 11 debate over an economic stimulus. House Appropriations Committee Chairman Bill Thomas has repeatedly urged that Congress include fast track authority in any economic stimulus plan.

The dismal U.S. track record in negotiating trade agreements since the mid-1990s, as indicated by the nation’s growing trade deficit and the attendant economic problems, suggests that a fast track is exactly what the nation does not need:

- While gross U.S. exports rose 61.5% between 1994 and 2000, imports rose much more, by 80.5%.
- Job losses associated with the trade deficit increased six times more rapidly between 1994 and 2000 than they did between 1989 and 1994.

- Every state and the District of Columbia suffered significant job losses due to growing trade deficits between 1994 and 2000. Ten states, led by California, lost over 100,000 net jobs.
- The manufacturing sector, where the trade deficit rose 158.5% between 1994 and 2000, shouldered 65% of the surge in job losses during that period.
- U.S. trade deficits with NAFTA partners Canada and Mexico increased nearly four-fold between 1993 and 2000, driven primarily by direct U.S. investment in Mexican and Canadian factories that export to the United States. The sustained appreciation of the U.S. dollar also encouraged investors around the world to build new and expanded production capacity at home to export more goods to the U.S. As a result, U.S. markets have been flooded with imports from Asia, Europe, Central and South America, and Africa since 1994.

Fast track by itself, a procedural rule designed to facilitate passage of new trade agreements, will have no effect of any kind on the economy. It is unlikely that the U.S. can negotiate and submit for approval any new agreements for at least three years, and it will take even longer for these agreements to affect the economy. Moreover, if past trade deals are any indication, fast track and new trade deals are likely to curtail growth, not increase it.

Between August 1998 and September 2001 the U.S. manufacturing sector had already lost 1.4 million jobs (BLS 2001c). In the wake of the attacks of September 11, unemployment is likely to grow. As a result, the underlying employment problems related to trade, especially in the manufacturing sector, will be much costlier and more visible over the next few years than they were in the 1990s, when the U.S. economy was generating two to three million jobs per year.

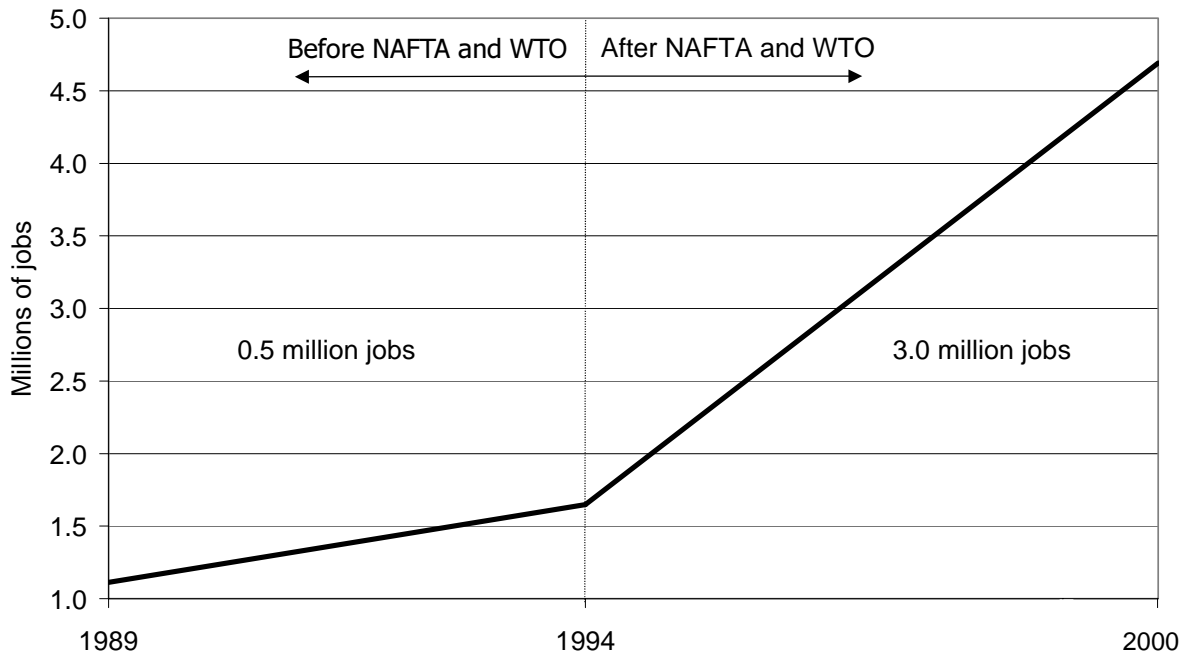
If the U.S. had achieved balanced trade in this period, as was predicted by the advocates of NAFTA and the WTO, U.S. manufacturing would be much stronger today and in a much better position to weather the downturn that is now under way. But the fact that 25 steel-producing companies, now including Bethlehem Steel, have declared bankruptcy reveals that rapidly growing trade deficits have had corrosive effects on the U.S. industrial base (Nag and Goldfarb 2001). Rather than putting new trade deals on a fast track, policy makers should step back for a strategic pause, during which they can review the structure, enforcement, and effectiveness of U.S. trade policies.³

Growing trade deficits and job losses

Supporters of NAFTA and the WTO frequently tout the benefits of exports while remaining silent on the impact of rapid import growth (Zoellick 2001). But any evaluation of the impact of trade on the domestic economy must look at both imports and exports. When the United States exports 1,000 cars to Germany or Mexico, plants in this country employ U.S. workers in their production. If, however, the U.S. imports 1,000 cars from Germany or Mexico rather than building them domestically, then a similar number of U.S. workers who would have otherwise been employed in the auto industry will have to find other work. Ignoring imports and counting only exports is like balancing a checkbook by counting only deposits but not withdrawals.

FIGURE A

Net U.S. job losses due to trade deficits, 1989-2000



Sources: U.S. Census Bureau; Bureau of Labor Statistics; Bureau of Economic Analysis.

U.S. trade deficits and job losses increased much more rapidly between 1994 and 2000 than they did between 1989 and 1994, as illustrated in **Figure A**. Indeed, persistent barriers to U.S. exports (as well as overvaluation of the U.S. dollar) have contributed to these growing deficits, but NAFTA and the WTO were supposed to overcome those barriers. These agreements, and globalization more generally, have also contributed to rising income inequality, depressed real wages for production workers, and increased numbers of companies using threats to move plants to China, Mexico, and other countries to reduce wages, eliminate benefits and work rules, and thwart union organizing campaigns (Scott 2001a).

The impact of trade on employment is one of the most widely used measures of the costs and benefits of trade policies, but also one of the least understood. The top half of **Table 1** reports the amounts of, and changes in, goods trade (not including services), measured in constant 2000 dollars.⁴ The bottom half of Table 1 estimates the employment impact of trade. These estimates utilize a detailed, 192-sector model that is prepared annually by the U.S. Bureau of Labor Statistics (see the methodology appendix for more details).

The net employment impact of trade is determined by the relationships between imports, exports, and the domestic labor requirements for each type of good. An increase in exports creates demands for U.S. workers to produce those goods, while an increase in imports reduces demand for U.S. workers, either because imports displace comparable U.S. products or because new demand is satisfied with foreign rather than domestic products.

TABLE 1
U.S. trade and trade-related job creation, (1989-2000)

Change in U.S. trade, 1989-2000 (billions of constant 2000 dollars)

	1989	1994	2000	Changes since 1994	
				Dollars	% Change
U.S. exports	422	583	942	359	61.5%
U.S. imports	560	765	1381	616	80.5
U.S. trade balance	-138	-182	-439	-257	141.6

U.S. trade-related job creation, 1989-2000 (thousands of jobs)

	1989	1994	2000	Changes since 1994	
				No. of jobs	% Change
U.S. exports	4,131	5,723	8,494	2,771	48.4%
U.S. imports	-5,244	-7,371	-13,186	-5,815	78.9%
U.S. trade balance	-1,113	-1,648	-4,692	-3,044	184.8%

Sources: U.S. Census Bureau; Bureau of Labor Statistics; Bureau of Economic Analysis.

Although gross U.S. exports increased 61.5% between 1994 and 2000, those increases were overshadowed by the growth in imports, which rose 80.5%, as shown in top half of Table 1. As a result, the 1994 U.S. trade deficit of \$182 billion increased 141.6% to \$439 billion by 2000 (all figures in inflation-adjusted 2000 dollars).

As shown in Table 1, total U.S. exports rose from \$583 billion to \$942 billion between 1994 and 2000. This net increase of \$359 billion created 2.8 million jobs or job opportunities. On the other hand, the \$616 billion rise in imports eliminated 5.8 million jobs. Thus, the \$257 billion increase in the trade deficit eliminated a net of 3.0 million jobs or job opportunities in this period. By contrast, between 1989 and 1994 growing trade deficits eliminated approximately 500,000 jobs. Thus, the number of jobs lost since 1994, after implementation of NAFTA and then the WTO, was six times larger than in the previous period.

Job losses across the United States

In all 50 states and the District of Columbia, imports more than offset exports between 1994 and 2000, with associated job losses (**Table 2A** and **Figure B**). Net job loss figures range from a low of 6,838 in North Dakota to a high of 364,197 in California. Other hard-hit states include Texas, New York, Pennsylvania, Michigan, North Carolina, Illinois, Ohio, Tennessee, Florida, Indiana, Georgia, and New Jersey, each with more than 100,000 net jobs lost.

While job losses in most states are modest relative to the size of the economy, the promise of new jobs was the principal justification for NAFTA and the WTO. According to the agreements' promoters, the predicted new jobs would compensate for the increased environmental degradation, economic instability,

TABLE 2A
Trade-related job losses by state, 1994-2000

State	Jobs lost	State	Jobs lost
Alabama	-63,239	Montana	-7,521
Alaska	-6,972	Nebraska	-15,312
Arizona	-32,461	Nevada	-16,493
Arkansas	-37,469	New Hampshire	-12,936
California	-309,762	New Jersey	-84,749
Colorado	-34,982	New Mexico	-16,733
Connecticut	-31,431	New York	-179,288
Delaware	-6,467	North Carolina	-133,219
District of Columbia	-6,558	North Dakota	-5,788
Florida	-100,047	Ohio	-135,139
Georgia	-89,736	Oklahoma	-42,266
Hawaii	-7,116	Oregon	-41,124
Idaho	-11,021	Pennsylvania	-142,221
Illinois	-139,537	Rhode Island	-29,164
Indiana	-102,873	South Carolina	-54,233
Iowa	-31,770	South Dakota	-8,458
Kansas	-23,248	Tennessee	-96,355
Kentucky	-50,948	Texas	-227,559
Louisiana	-44,940	Utah	-22,523
Maine	-22,357	Vermont	-6,283
Maryland	-31,057	Virginia	-66,083
Massachusetts	-64,434	Washington	-45,739
Michigan	-152,061	West Virginia	-14,458
Minnesota	-49,925	Wisconsin	-73,476
Mississippi	-41,338	Wyoming	-6,977
Missouri	-68,392	TOTAL	-3,044,241

Source: U.S. Census Bureau; U.S. Bureau of Labor Statistics.

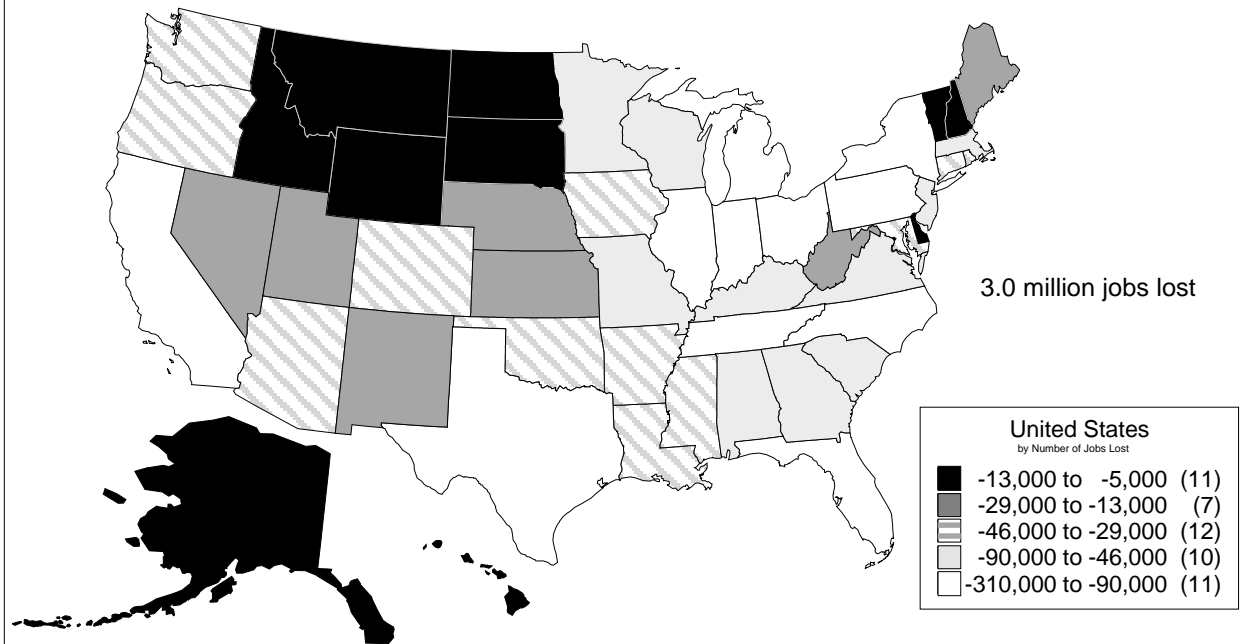
and public health dangers that the agreements would bring (Lee 1995, 10-11). If NAFTA and the WTO have not delivered net new jobs, they cannot provide enough benefits to offset the costs imposed on the American public.

Table 2B, which presents job losses as a share of the total labor force in each state, identifies several smaller states that have been hard hit by trade-related job losses in the late 1990s, including Rhode Island (job losses equivalent to 5.8% of the workforce), Maine (3.6%), Mississippi (3.3%) Alabama (3.1%), and Arkansas (3.1%).

The impacts of NAFTA and the WTO on the U.S. job market were obscured by the boom-and-bust cycle that has driven domestic consumption, investment, and speculation in the mid- and late 1990s. Although there was net job loss in the international sector of the economy between 1994 and 2000, total employment rose rapidly in the U.S., causing overall unemployment to fall to record low levels. However, with the bursting of the stock market bubble, unemployment has risen from 3.9% in October 2000 to 4.9% in September 2001 (BLS 2001c).

FIGURE B

Trade-related job losses since 1994



Source: Economic Policy Institute; U.S. Census Bureau; Bureau of Labor Statistics.

Table 3 summarizes the direct and indirect effects of trade on employment in all U.S. industries, including primary commodities and services that provide inputs for traded goods. Changes in the numbers of jobs lost (shown in the last two columns) illustrate several key effects of trade policies on the U.S.

The U.S. deficit in manufacturing trade increased 158.5% between 1994 and 2000, and the manufacturing sector was responsible for the vast majority of all job losses: 1.9 million jobs lost in manufacturing compared with 3.0 million overall jobs lost between 1994 and 2000, or 65% of all losses. Agriculture, forestry, and fisheries lost nearly 116,700 jobs. On a per capita basis, workers in these primary product sectors were about twice as likely to suffer a job loss as someone employed elsewhere in the economy.

Within manufacturing, almost every industry experienced a net loss of jobs since 1994, the only two exceptions being aerospace products and scientific and professional goods and instruments. Motor vehicles (201,800 jobs lost), electrical equipment and machines (236,400), and textiles and apparel (a combined 373,500 lost jobs) were the hardest-hit industries. Every other sector, even such notable surplus sectors as printing and tobacco products, suffered significant losses between 1994 and 2000 (though they still registered surpluses in 2000). Most of the hard-hit states listed above have high concentrations of the particular industries listed here.

In all, 17 of the 20 manufacturing industries experienced net job losses in 2000. This pattern is the end result of the \$439 billion U.S. trade deficit in 2000. Before riding a fast track to further agreements, it seems sensible to pause and ask why NAFTA and the WTO were powerless to stem these losses, or whether they perhaps played a role.

TABLE 2B
Jobs lost as percent of state labor force

Rank	State	Jobs lost	Percent of labor force
1	Rhode Island	-29,164	-5.8%
2	North Carolina	-133,219	-3.7
3	Maine	-22,357	-3.6
4	Tennessee	-96,355	-3.6
5	Indiana	-102,873	-3.4
6	Mississippi	-41,338	-3.3
7	Michigan	-152,061	-3.2
8	Alabama	-63,239	-3.1
9	Arkansas	-37,469	-3.1
10	South Carolina	-54,233	-3.0
11	Kentucky	-50,948	-2.8
12	Wyoming	-6,977	-2.8
13	Oklahoma	-42,266	-2.7
14	Wisconsin	-73,476	-2.6
15	Missouri	-68,392	-2.5
16	Georgia	-89,736	-2.5
17	Oregon	-41,124	-2.5
18	Pennsylvania	-142,221	-2.4
19	Ohio	-135,139	-2.4
20	Texas	-227,559	-2.4
21	Louisiana	-44,940	-2.3
22	Illinois	-139,537	-2.3
23	Utah	-22,523	-2.3
24	Alaska	-6,972	-2.3
25	South Dakota	-8,458	-2.2
26	District of Columbia	-6,558	-2.2
27	New Mexico	-16,733	-2.2
28	New Jersey	-84,749	-2.1
29	Nevada	-16,493	-2.1
30	New York	-179,288	-2.1
31	New Hampshire	-12,936	-2.1
32	Massachusetts	-64,434	-2.0
33	Iowa	-31,770	-2.0
34	California	-309,762	-2.0
35	Vermont	-6,283	-2.0
36	Minnesota	-49,925	-1.9
37	Virginia	-66,083	-1.9
38	Idaho	-11,021	-1.9
39	West Virginia	-14,458	-1.8
40	Connecticut	-31,431	-1.8
41	Kansas	-23,248	-1.7
42	Colorado	-34,982	-1.7
43	Nebraska	-15,312	-1.7
44	North Dakota	-5,788	-1.7
45	Montana	-7,521	-1.7
46	Delaware	-6,467	-1.7
47	Washington	-45,739	-1.7
48	Arizona	-32,461	-1.6
49	Florida	-100,047	-1.5
50	Hawaii	-7,116	-1.2
51	Maryland	-31,057	-1.2
TOTAL	-3,044,241	-2.3	

Source: U.S. Census Bureau; U.S. Bureau of Labor Statistics.

TABLE 3
U.S. trade-related job losses by sector, 1989-2000
(thousands of jobs)

Industry	1989	1994	2000	Changes since 1994	
				Number of jobs	% Change
Agriculture, forestry, fisheries	191.2	150.0	33.4	-116.7	-77.8%
Mining	-84.2	-98.7	-255.8	-157.1	159.1
Construction	-7.0	-8.7	-25.0	-16.4	188.8
Manufacturing	-874.0	-1,243.8	-3,214.9	-1,971.1	158.5
SPECIFIC MANUFACTURING INDUSTRIES:					
Food and kindred products	-0.4	22.4	-6.5	-28.9	n.a.
Tobacco	5.8	8.7	5.7	-3.0	-34.1
Textile mill products	-104.2	-135.8	-239.9	-104.2	76.7
Apparel and related products	-247.1	-341.8	-611.1	-269.3	78.8
Lumber and wood products, except furniture	-17.9	-62.9	-181.2	-118.3	188.2
Furniture and fixtures	-55.2	-59.6	-144.0	-84.4	141.7
Paper and allied products	-17.5	-9.2	-42.5	-33.3	363.8
Printing, publishing, and allied products	46.9	40.3	1.1	-39.2	-97.2
Chemicals and allied products	23.4	25.3	-62.2	-87.5	n.a.
Petroleum refining and related products	-5.2	-3.9	-16.0	-12.1	308.7
Rubber and miscellaneous plastics products	-66.6	-73.6	-105.3	-31.7	43.0
Leather and leather products	-104.4	-141.7	-232.9	-91.2	64.3
Stone, clay, glass, and concrete products	-35.2	-37.1	-80.8	-43.6	117.5
Primary metal products	-76.5	-76.8	-160.8	-84.0	109.4
<i>Blast furnaces and basic steel products</i>	-40.2	-52.8	-77.1	-24.3	45.9
Fabricated metl prod exc mach & transp equipment	-59.8	-51.6	-158.8	-107.1	207.5
Machinery, except electrical	-21.4	16.8	-27.6	-44.4	n.a.
<i>Computer and office equipment</i>	0.5	-10.8	-15.4	-4.6	43.0
Electrical & electronic mach, equip, & supplies	-123.1	-140.8	-377.2	-236.4	168.0
<i>Household audio and video equipment</i>	-47.3	-51.0	-107.5	-56.5	110.7
<i>Communications equipment</i>	-13.6	-7.1	-38.8	-31.7	448.6
Transportation equipment	-69.4	-43.8	-261.9	-218.0	497.2
<i>Motor vehicles and equipment</i>	-197.6	-202.8	-404.6	-201.8	99.5
<i>Aerospace</i>	127.5	152.0	163.6	11.6	7.7
Scientific & prof instr; photograph & opt gds, etc	19.7	26.8	49.5	22.7	84.7
Miscellaneous manufactured commodities	34.0	-205.6	-562.8	-357.2	173.8
	0.0	0.0	0.0	0.0	
Transportation	-54.5	-66.4	-186.4	-120.1	180.9
Communications	-7.6	-11.0	-32.5	-21.5	195.6
Utilities	-14.9	-16.6	-43.9	-27.3	164.1
Trade	-26.1	-33.8	-91.1	-57.3	169.9
Financial insurance and real estate	-24.5	-34.6	-104.4	-69.8	201.6
Services	-198.7	-266.6	-724.8	-458.2	171.9
Government	-13.0	-17.4	-46.2	-28.7	164.8
Special Industries	0.0	0.0	0.0	0.0	n.a.
Total	-1,113.2	-1,647.6	-4,691.8	-3,044.2	184.8%

Sources: U.S. Census Bureau; Bureau of Labor Statistics.

Causes of rising trade deficits

U.S. trade deficits with its NAFTA partners, Canada and Mexico, expanded from \$16.6 billion in 1993 to \$62.8 billion in 2000 (Scott 2001). Almost all of this growth occurred after 1994, when NAFTA was implemented. The primary mechanism driving this growth has been the movement of foreign direct investment (FDI) by the U.S., in the form of factories and even complete supply networks in some cases, to Mexico and Canada.⁵ Between 1993 and 1999 U.S. FDI in Mexico increased by 169%; in Canada it more than quadrupled. Counting all sources, Canada and Mexico have absorbed more than \$151 billion in FDI since 1993. These inflows of FDI, along with bank loans and other types of foreign financing, have funded the construction of thousands of Mexican and Canadian factories that produce goods for export to the United States. One result is that the U.S. absorbed an astounding 82% of Mexico's total exports in 2000.⁶ The growth of foreign production capacity has played a major role in the rapid growth of exports to the U.S., growth in the U.S. trade deficit, and growth in trade-related job losses.

The sustained and substantial appreciation of the U.S. dollar—more than 31% since the second quarter of 1995, using the Federal Reserve's broad index of its real (inflation-adjusted) value⁷—greatly stimulated FDI around the world, especially in Mexico, China, and other developing countries. This substantial increase in the real value of the U.S. dollar makes other countries' exports to the United States cheaper for U.S. buyers while making imports from the United States more expensive in foreign markets. This devaluation of foreign currencies relative to the dollar also encourages investors around the world to build new and expanded production capacity at home to export even more goods to the U.S. Hence, U.S. markets have been flooded with imports from Asia, Europe, Central and South America, and Africa since 1994.

The creation of the WTO has hurt U.S. workers and industries in many ways. One of the principle differences between the WTO and the GATT—the General Agreement on Tariffs and Trade that governed world trade from the end of World War II until December 31, 1994—is that the WTO agreement created a new institution (the WTO) with the power to interpret and enforce the agreement's rules.⁸ For example, the WTO has found on several occasions that U.S. laws providing tax exemptions for certain "foreign sales corporations" (FSCs) are illegal. As a result, the European Union recently sought and received authorization from the WTO (a decision that is under appeal) to impose \$4 billion in sanctions on U.S. goods because the U.S. failed to change these laws (EU 2001; Alden 2001). Many U.S. firms, especially makers of aircraft and other high-value industrial machinery and equipment, maintain that these laws are essential to counteract the EU's WTO-sanctioned rebates of value-added taxes on their own exports. It is hard to explain to an ordinary citizen or company why the EU rebates are allowable under the WTO's "free trade" rules while the U.S. system for subsidizing exports is not. From the point of view of U.S. firms and workers, this case does not rise to the standards that would be required by a fair trading system. Many of the jobs of 800,000 U.S. workers and thousands of U.S. companies involved in aerospace will be jeopardized if the U.S. is forced to scrap FSCs.

There are a number of other ways in which the WTO and NAFTA have hurt U.S. economic interests. These include the "investment" chapters in NAFTA that have been used to overturn national laws in areas ranging from land use to environmental and safety standards (Wallach 2000). Before negotiations

have even begun in a new trade round, policy makers are battling over whether U.S. agricultural subsidies conflict with present and potential future WTO trade rules on agriculture, and whether those payments must be cut in the near future (Scott and Hersh 2001; *Congress Daily* 2001).

The real costs of NAFTA and the WTO for workers, communities, and businesses were greatly underestimated in the debates over these agreements, and the promised benefits have failed to materialize. But the conclusion to be drawn is not that further trade liberalization should be stopped. There is no doubt that, in the long run, a system of both freer trade and fair trade which ensures that all participants play by a well-defined set of humane, market-based rules can maximize incomes for most, if not all, countries around the world. NAFTA and the WTO have failed to achieve these desirable outcomes because they were fatally flawed. Existing trade agreements should be repaired and rebuilt before moving ahead with another round of broad, new trade deals.

— October 2001

The author thanks Adam Hersh for research assistance, Danielle Gao and Yvon Pho for programming, Jonnie Patrick for administrative assistance, and Jeff Faux for comments on earlier drafts. EPI gratefully acknowledges the support of the Ford Foundation for the Workers and the Global Economy project.

Methodology used for job loss estimates

This study uses the model developed in Rothstein and Scott (1997a, 1997b) to analyze the impact of trade on employment. This approach solves several problems that are prevalent in previous research on the employment impacts of trade; these problems include looking only at the effects of exports and ignoring imports; failing to adjust trade data for inflation; and applying a single employment multiplier to all industries, despite differences in labor productivity and utilization.

The model used here is based on the Bureau of Labor Statistics' 192-sector domestic employment requirements table, which was derived from the 1992 U.S. input-output table and adjusted to 1998 price and productivity levels (BLS 2001a). This model enables an estimate of the direct and indirect effects of changes in goods trade flows in each of these 192 industries. This study updates the 1987 input employment requirements table used in earlier reports in this series (Rothstein and Scott 1997a, 1997b; Scott 1996).

We use three-digit, SIC-based industry trade data (Bureau of the Census 1994 and 2001), deflated with industry-specific, chain-weighted price indices (Bureau of Labor Statistics 2001b). We concord these data from HS to SIC (1987) classifications using tables provided with the Census trade data. We then concord the SIC data into the BLS sectors using sector-plans from the BLS (BLS 2001a). We calculate state-level employment effects by allocating imports and exports to the states on the basis of their share of three-digit, industry-level employment (BLS 1997).⁹

Endnotes

1. The total number of jobs and job opportunities is a measure of what employment in trade-related industries would have been if the U.S. trade balance had remained constant (and holding everything else in the economy constant) between 1994 and 2000. Maintaining a constant trade balance while growing rapidly, as the U.S. did between 1994 and 2000, would have required that imports grow more slowly than they did and/or that exports grow faster. If the U.S. economy had grown at exactly the same rate under this condition as it did between 1994 and 2000, then more jobs would have been created in import-competing and exporting industries.
2. For example, U.S. Trade Representative Robert Zoellick recently stated, “Congress needs to enact U.S. trade promotion authority so America can negotiate agreements that advance the causes of openness, development, and growth” (Zoellick 2001).
3. For further discussion of the need for a strategic pause, see Faux (2001).
4. Goods trade is examined here for several reasons. First, many of the components counted as services in GDP, such as profits and interest on foreign deposits, do not directly affect employment. Second, many of the financial and business services that are now exported simply support factories that have moved abroad. While such exports may support some jobs in the U.S., in many cases these businesses are providing services to factories that would otherwise be located in the U.S. Finally, the Census Bureau does not provide detailed data on trade in services.
5. Bronfenbrenner (2001) has developed a database that tracks plant closures in the U.S. and links them to the opening of new facilities owned or controlled by the same company in other countries. Preliminary results suggest that these data closely match trends in U.S. trade flows.
6. INEGI (2001), Bureau of the Census (2001), and EPI calculations.
7. The dollar reached a low point of 82.6 on the Federal Reserve’s index in the second quarter of 1995 (quarterly average of monthly data), and recently stood at 108.7 in the third quarter of 2001 (Federal Reserve, Federal Reserve Statistical Release, H1.0 Foreign Exchange Rates, <<http://www.federalreserve.gov/releases/H10/Summary/>>).
8. Disputes at the WTO can be settled between the parties or decided by dispute resolution panels, which have the authority to issue findings of WTO law. Parties that have been injured in such cases are entitled to impose sanctions that are sufficient to restrict imports from the offending country by an amount equal to the trade losses suffered by the “injured” party (Wallach 2000). While the findings of WTO panels are not legally binding on any country, the resulting penalties are often large enough to force countries to change their laws to conform to the WTO’s demands. The U.S. has lost a larger number of the cases brought against it at the WTO (Public Citizen 2001).
9. Other studies—see California State World Trade Commission (1996), which finds 47,600 jobs created in California from increased trade with Canada alone—have allocated all employment effects to the state of the exporting company. This is problematic, because the production—along with any attendant job effects—need not have taken place in the exporter’s state. If a California dealer buys cars from Chrysler and sells them to Mexico, these studies will find job creation in California. However, the cars are not made in California; the employment effects should instead be attributed to Michigan and other states with high levels of auto production. Likewise, if the same firm buys auto parts from Mexico, the loss of employment will occur in auto industry states, not California.

References

- Alden, Edward. 2001. "U.S. to Appeal on Tax Break Ruling." *Financial Times*, October 11.
- Bronfenbrenner, Kate, et al. 2001. "Impact of U.S.-China Trade Relations on Workers, Wages, and Employment." Report submitted to the U.S.-China Security Review Commission/U.S. Trade Deficit Review Commission. June 30.
- Bureau of the Census. 1994. Preliminary data from the *U.S. Exports of Merchandise on CD-ROM (CDEX, or EX-145)* and *U.S. Imports of Merchandise on CD-ROM (CDIM, or IM-145)*. Data for December 1993 (month and year to date). Washington, D.C.: Bureau of the Census.
- Bureau of the Census. 2001. Preliminary data from the *U.S. Exports of Merchandise on CD-ROM (CDEX, or EX-145)* and *U.S. Imports of Merchandise on CD-ROM (CDIM, or IM-145)*. Data for December 2000 (month and year to date). Washington, D.C.: Bureau of the Census.
- Bureau of Labor Statistics. 1997. *ES202 Establishment Census*. Washington, D.C.: U.S. Department of Labor.
- Bureau of Labor Statistics, Office of Employment Projections. 2001a. *Employment Outlook: 1994-2005 Macroeconomic Data, Demand Time Series and Input Output Tables*. Washington, D.C.: U.S. Department of Labor. <<ftp://ftp.bls.gov/pub/special.requests/ep/ind.employment/>>
- Bureau of Labor Statistics, Office of Employment Projections. 2001b. Private communication, email with Mr. James Franklin about 2000 price deflator estimates. Washington, D.C.: U.S. Department of Labor.
- Bureau of Labor Statistics. 2001c. Employment and Earnings (monthly tables). <<http://stats.bls.gov/cpsee.htm>>
- California State World Trade Commission. 1996. "A Preliminary Assessment of the Agreement's Impact on California." Sacramento, Calif.: California State World Trade Commission.
- Congress Daily*. 2001. "Trade." *National Journal's Congress Daily*, October 15.
- European Union Trade Commission (EU). 2001. *Report on United States Barriers to Trade and Investment*. <<http://www.europa.eu.int/comm/trade/pdf/usrbt2001.pdf>>
- Faux, Jeff. 2001. "Why U.S. Manufacturing Needs a Strategic Pause in Trade Policy." Testimony before the U.S. Senate Committee on Commerce, Science and Transportation, hearing on the Current State of American Manufacturing Industries. June 21. <<http://www.epinet.org>>
- Instituto Nacional de Estadística, Geográfica Informatica (INEGI). 2001. Online database of Mexican National Statistical Information. <<http://www.inegi.gob.mx/difusion/ingles/portadai.html>>
- Lee, Thea. 1995. *False Prophets: The Selling of NAFTA*. Briefing Paper. Washington, D.C.: Economic Policy Institute. <<http://www.epinet.org>>
- Nag, Arindam, and Jefferey Goldfarb. 2001. "Bethlehem Files for Chapter 11. Reuters News Service, October 15.
- Public Citizen. 2001. *NAFTA Chapter 11 Investor-to-State Cases: Bankrupting Democracy*. <<http://www.publiccitizen.org/documents/ACF186.PDF>>
- Rothstein, Jesse, and Robert E. Scott. 1997a. *NAFTA's Casualties: Employment Effects on Men, Women, and Minorities*. Issue Brief. Washington, D.C.: Economic Policy Institute. <<http://www.epinet.org/>>
- Rothstein, Jesse, and Robert E. Scott. 1997b. *NAFTA and the States: Job Destruction Is Widespread*. Issue Brief. Washington, D.C.: Economic Policy Institute. <<http://www.epinet.org/>>
- Scott, Robert E. 1996. *North American Trade After NAFTA: Rising Deficits, Disappearing Jobs*. Briefing Paper. Washington, D.C.: Economic Policy Institute. <<http://www.epinet.org/>>
- Scott, Robert E. 2000. *The Facts About Trade and Job Creation*. Issue Brief. Washington, D.C.: Economic Policy Institute. <<http://www.epinet.org/>>
- Scott, Robert E. 2001. "NAFTA's Hidden Costs." In *NAFTA at Seven: Its impact on Workers in All Three Nations*. Briefing Paper. Washington, D.C.: Economic Policy Institute. <<http://www.epinet.org>>
- Scott, Robert E., and Adam S. Hersh. 2001. *Trading Away U.S. Farms*. Briefing Paper. Washington, D.C.: Economic Policy Institute. <<http://www.epinet.org/>>
- Tonelson, Alan. 2000. *Race to the Bottom*. New York, N.Y.: Westview Press.
- Wallach, Lori. 2000. "The WTO Dispute Settlement System: Powerful Enforcement of Unbalanced, Extensive Regulations Without Basic Due Process." Testimony before the U.S. Senate Finance Committee Subcommittee on International Trade. June 20. <<http://www.citizen.org/trade/wto/Dispute/articles.cfm?ID=5581>>
- Zoellick, Robert B. 2001. "Countering Terror With Trade." *Washington Post*, September 20.