

# **The Effects of NAFTA on FDI, Trade, Jobs and Wages**

FORGING A NEW PATH FOR NORTH AMERICAN TRADE:  
THE AUTO SECTOR

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# What do trade and investment deals do?

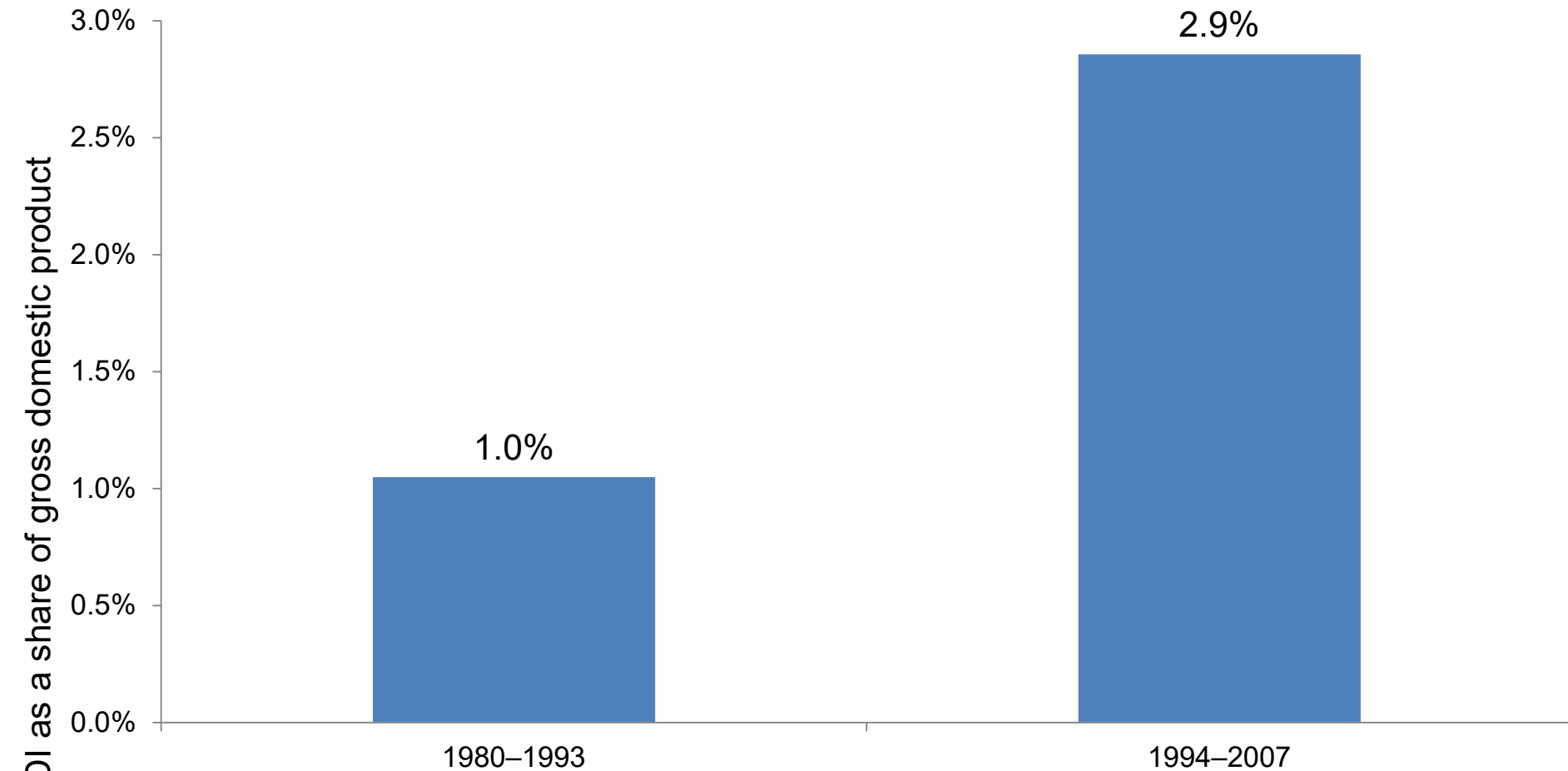
- U.S. trade deals, including the WTO agreements, so-called “free-trade agreements” and bilateral investment treaties have resulted in growing U.S. trade deficits with Mexico and many other countries which have cost the United States millions of jobs, most in the manufacturing sector
- U.S. trade deals “facilitate offshoring, ban Buy American provisions and erode manufacturing jobs, utterly contradicting the president’s domestic agenda ([Lori Wallach, Public Citizen 2013](#))”

# Globalization & the distribution of income

*Using standard models to benchmark the cost of globalization for American workers without a college degree ([Bivens 2013](#))*

- In 2011, trade with low wage countries lowered wages by 5.5 percent—roughly \$1,800 for all full time, full-year workers without a college degree
- 100 million workers without a college degree → total transfer of \$180 billion
- Explains 90 percent of the rise in college wage premium since 1995

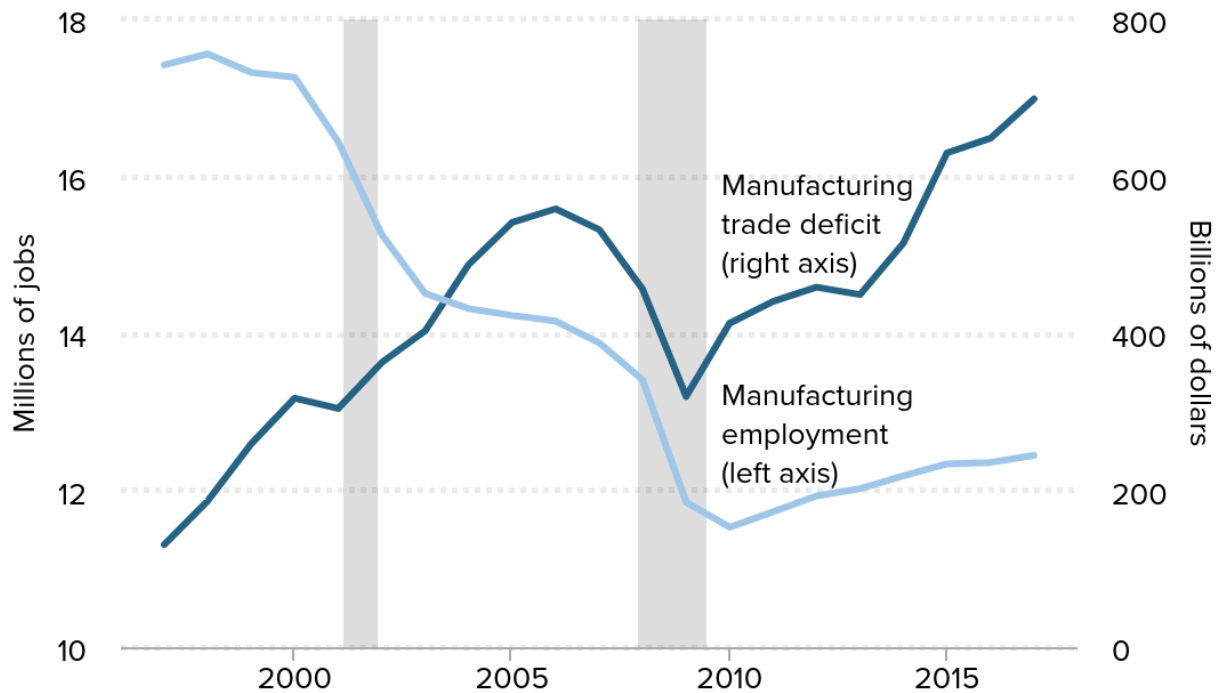
# Foreign direct investment in Mexico tripled after NAFTA, 1980–2007



Source: IMF, *International Financial Statistics* and *World Economic Outlook* database, and Economic Policy

## The trade deficit is responsible for manufacturing job loss

U.S. manufacturing employment and manufacturing trade deficit, 1997–2017



Source: updated from *Manufacturing Job Loss: Trade, Not Productivity, Is the Culprit* by Robert E.

# Manufacturing Trade & employment

- U.S. goods trade deficit increased from \$182 billion in 1997 to \$875 billion in 2018
- Manufacturing share rose from 72% to 89%, 5 million jobs lost, 1997-2018 (-29.4%)
- MV & Parts deficit rose from \$63 billion in 1997 to \$202 billion in 2018, falling from 48% of the manufacturing deficit in 1997 to 26% in 2019
- 328,000 jobs lost in MV & Parts, 2000-18 (-24.6%)
- U.S. Mexico deficit reached \$80.7 billion in 2018 (9% of total), essentially all MV & Parts



North American Free Trade Agreement (NAFTA)

**200,000** jobs promised

**682,900** jobs **lost**

### **WHAT'S GOING ON HERE?**

Presidents of both parties from Clinton through Obama have sold free trade agreements on the basis of export growth. But free trade agreements impact a lot more than exports—they increase imports and encourage outsourcing, which means fewer American jobs.

# The end

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