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# THE EFFECT OF NAFTA ON WISCONSIN

**REPORT FROM THE PRESIDENT:**

When the North American Free Trade Agreement (NAFTA) developed into an important issue in 1994, we contracted with Dr. Richard Cebula, Professor of Economics at Georgia Tech, to analyze NAFTA's impact on Wisconsin. Working with a computerized mathematical model, Professor Cebula examined twenty-four industries and concluded that NAFTA would have a positive impact on the state, including the creation of new jobs.

Six years later we hired Dr. Paul Kengor, an Assistant Professor at Grove City College, to research the current national databases to discover if, in fact, NAFTA had benefited Wisconsin in its first five years of creation. Dr. Kengor had already examined the impact of NAFTA on Arizona, Texas, Michigan, Pennsylvania and Florida. Using databases from the Department of Commerce and the University of Massachusetts Institute for Social and Economic Research, he concluded that indeed NAFTA has had an enormous positive impact on Wisconsin over the last five years.

Every major metropolitan area in Wisconsin has seen an increase in their exports. Kenosha had the highest growth of all major metropolitan areas in the United States from 1993 to 1998, showing a staggering growth of 745% in exports. Equally important was the substantial growth in our largest area — Milwaukee-Waukesha — which showed export expansion to both Mexico and Canada. Milwaukee-Waukesha now exports over $1 billion to these two nations. Under NAFTA the cumulative exports to Mexico and Canada from Wisconsin has risen to $5.3 billion, which according to the Department of Commerce translates into approximately 80,000 new jobs. Out of 30 industries in Wisconsin, 29 showed increased exports to Mexico after NAFTA's first year. After five years, 28 out of 32 Wisconsin industries saw higher exports.

In spite of the fear mongering by Ross Perot and the labor unions in the early 90s, NAFTA has been a tremendous boon to Wisconsin's economy. Anyone who wants to know why our unemployment rates are at historic lows needs only to look at our exports. Over the next decade it is likely that Mexico will become our second largest market after Canada, ahead of such giant economic powerhouses as Japan and the United Kingdom. The sucking sound of the 90s is being replaced by bank accounts in the new millennium. NAFTA works.

James H. Miller

**WISCONSIN POLICY RESEARCH INSTITUTE, INC.**
*P.O. Box 487 • Thiensville, WI 53092*
*(262) 241-0514 • Fax: (262) 241-0774*
*E-mail: wpri@execpc.com • Internet: www.wpri.org*

# THE EFFECT OF NAFTA ON WISCONSIN

PAUL KENGOR, Ph.D.

## KEY FINDINGS

The North American Free Trade Agreement (NAFTA) went into effect on January 1, 1994. This study examines the five-year effect of the trade accord on Wisconsin. As will be seen by the evidence, it is impossible to argue that NAFTA has hurt Wisconsin. In fact, the author has produced studies of NAFTA's effect on five other states — Arizona, Florida, Michigan, Pennsylvania, and Texas. While all these states have benefited from NAFTA, few, if any, have seen numbers as impressive as Wisconsin, especially in regions like Kenosha. Specifically, this report contains the following key findings:

- Exports make up only 6% of Wisconsin's gross state product; they do not drive the state's economy. Yet, exports matter, accounting for almost $10 billion annually. NAFTA has had a moderately positive effect on Wisconsin's economy as a whole, while being remarkably beneficial to the state's export sector in particular.
- Wisconsin exports to Canada and Mexico are vital to the state's overall export base. NAFTA has been a boon to state exports. Canada is by far Wisconsin's largest export market, and Mexico its fourth. In 1988, five years before NAFTA, Mexico was Wisconsin's 13th largest market. At the current rate of growth, Mexico will likely soon pass the United Kingdom (#3) and possibly even catch Japan (#2).
- Since NAFTA started, over half of Wisconsin's overall $3.4 billion gain in world exports went to Mexico and Canada. In other words, the state's exports to just two of the world's 170-plus nations accounted for over half its rise in exports since 1994. Mexico and Canada are now among the most dependable markets for Wisconsin. For instance, from 1997-98, among its top 7 export markets, Wisconsin saw a rise in exports only to Mexico and Canada, and those rises were at double-digit levels.
- Wisconsin exports to Mexico and Canada hit record levels after NAFTA's first year. There are two sources that collect data on state exports — the U.S. Department of Commerce (DoC) and the University of Massachusetts Institute for Social and Economic Research (MISER). DoC counts a company's home headquarters as the source of an export, whereas MISER counts the point of manufacture as the source of an export. Both sources show impressive gains in Wisconsin exports under NAFTA.
- According to DoC, under NAFTA, the state's exports to Mexico and Canada increased by at least double digits in all but one year (Mexico's 1995 recession year). Five years after NAFTA (1998), Wisconsin's annual exports to Canada were $1.5 billion higher than the year before NAFTA (1993) — a rise of 77.6%. Its exports to Mexico increased 78.0%. Wisconsin has seen a cumulative gain of $5.3 billion in exports under NAFTA.
- The MISER data show a 61% rise in annual Wisconsin exports to Canada under NAFTA and a 96% increase (near doubling) in exports to Mexico under NAFTA.
- According to DoC, after NAFTA's first year, the gain in Wisconsin exports to non-NAFTA nations was 14%, half the 28% gain to the NAFTA nations, and one third the 43% gain to Mexico alone. Overall, since NAFTA started, Wisconsin's gain in exports to non-NAFTA nations is 47% compared to 78% to the NAFTA nations.
- More so than the DoC data, the MISER data show that exports to the NAFTA nations have well outpaced the rise to non-NAFTA nations, by a margin of 64% to 24%.
- Among all U.S. metro regions, Wisconsin boasts perhaps the biggest NAFTA success. The Kenosha area saw the largest percent growth in overall exports among all U.S. regions for 1997-98, rising 143%. The rise was fueled by NAFTA exports, which made a near five-fold jump for 1997-98 for Kenosha. *Incredibly, Kenosha's exports to non-NAFTA nations (i.e, the rest of the world) over the period actually declined by 3.1%*. Overall, since NAFTA started, Kenosha's combined exports to Mexico and Canada have increased by a staggering 745%. This NAFTA jump was led by Kenosha exports to Canada, which have increased 827% under NAFTA. Like most regions with big gains throughout the United States, this jump may have been driven by one or a handful of companies, although there is no way to confirm that.
- Among other regions, major gains were also witnessed by Green Bay, Madison, Racine, Sheboygan, and Wausau. Among the best news is the data from the Milwaukee-Waukesha region, which itself provides 40% of state exports. Under NAFTA, it has increased its exports to the NAFTA nations by 78%, near double its rate to non-NAFTA nations. The region now exports $1.35 billion to the two nations.

- On the negative side, some companies and workers claim injury from NAFTA. In total, at least 48 Wisconsin companies and 1,622 workers were certified as hurt by NAFTA. The region with the most certified workers is Milwaukee-Waukesha, with 1,046 certifications. On the plus side, heightened exports in Milwaukee-Waukesha under NAFTA have spawned an estimated 10,000 plus new jobs in that region alone.
- According to DoC, 79,845 jobs have been gained in Wisconsin as a result of the new $5.3 billion in cumulative exports to Mexico and Canada under NAFTA.
- A number of Wisconsin firms seem to have been helped by NAFTA, including Case Corporation, Bucyrus International, Meinert Market, Miller Brewing, and Greenheck Fan. Meinert Market states: "NAFTA has helped quite a bit." Greenheck says, "For us, NAFTA works." It cites an increase in revenues in Mexico from "little or nothing" to $3 million.
- Wisconsin's NAFTA success is broad based. Literally almost every industry (29 of 30) increased exports to Mexico after NAFTA's first year. Under NAFTA, the state's typical industry increased exports to Mexico by percentages of three to four digits.
- One key industry is paper products, which saw its exports to Mexico rise by two-and-a-half times (154%) to $27 million in 1998. Wisconsin is said to be the largest paper supplier to Mexico, meaning that such a large increase is good news.
- After NAFTA's first year, 25 of the 32 Wisconsin industries that export to Canada increased exports. Over the five years, 28 of 32 — almost 90% — saw higher exports.
- Of these, industrial machinery and computers is the largest exporting sector to Canada. This industry nearly doubled its exports, hitting almost $1.3 billion. This sector by itself comprises over one-third of all Wisconsin exports to Canada. Hence, it's very important that this major sector saw a big jump in exports under NAFTA.
- NAFTA's impact has been favorable. At the very least, Wisconsin hasn't been negatively impacted. There hasn't been a giant sucking sound in Wisconsin

## INTRODUCTION

This report examines the five-year effect of NAFTA on Wisconsin. The trade agreement went into effect on January 1, 1994. After five years of fairly consistent trade data, we can now make some definitive claims about the trade accord, particularly its effect on state exports to Canada and Mexico as well as its impact on specific industrial sectors. A number of companies throughout Wisconsin have clearly benefited from the agreement, increasing revenues as a result of heightened business activity due to NAFTA. As demonstrated by data, the vast majority of state industries have witnessed increases in exports to Canada and Mexico since the trade agreement's implementation. Some of these increases have been slight, whereas others have jumped dramatically.

Of course, opening up trade brings both winners and losers. Free trade tends to bring benefits to industries of comparative advantage and create losses for industries of comparative disadvantage. The hope is that in the end the "winners" will outweigh the "losers," creating an overall positive situation, or net gain, for the economy as a whole. As this report aims to show, the NAFTA winners in Wisconsin do, in fact, appear to be far outweighing the NAFTA losers. The report acknowledges the losers as well. It also notes that the losers' claims of injury by NAFTA are not always supported by evidence. This was found to be true even for some of those companies who were certified by the government as officially "injured" either by NAFTA or "foreign competition."

The first section of this report provides background on NAFTA, followed by a brief description of recent studies on NAFTA's national and local effect. Following that, the report analyzes the five-year effect of NAFTA on Wisconsin. It does this by employing two primary methods of measurement. First, it examines, statistically and anecdotally, the accord's positive and negative effect on companies and workers. The "negative" information is taken from Department of Labor statistics (both state and federal) tracking those claiming injury from the agreement, as well as interviews by the author with companies impacted by the trade accord. Second, it uses state export data showing which industries experienced rises or drops in exports to Canada and Mexico since NAFTA's implementation, as well as the overall export numbers for Wisconsin as a whole. These state-level export data are non-anecdotal, straight forward, and comprehensive.

## BACKGROUND

On December 17, 1992, Canadian Prime Minister Brian Mulroney, Mexican President Carlos Salinas de Gortari, and U.S. President George Bush signed NAFTA, marking the end of a process that began on February 5, 1991, when the three leaders announced they would negotiate the trade accord. Following approval by the legislatures in each of the three countries, NAFTA entered into force January 1, 1994. Its implementation created a free-trade area in North America that was the largest of its kind in the world, with a combined 1994 Gross Domestic Product (GDP) of $7.7 trillion and 368 million consumers. The objective of the trade agreement, as detailed more specifically through its principles and rules — including national treatment, most-favored-nation treatment, and transparency — is to:

- Eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the three involved parties;
- Promote conditions of fair competition in the free-trade area;
- Increase substantially investment opportunities in the territories of the member parties;
- Provide adequate and effective protection and enforcement of intellectual property rights (IPRs) in each party's territory;
- Create effective procedures for the implementation and application of the agreement, for its joint administration and for the resolution of disputes; and
- Establish a framework for further trilateral, regional, and multilateral cooperation to expand and enhance the benefits of the agreement.

NAFTA eliminates tariffs on most goods originating in Canada, Mexico, and the United States. The schedule to eliminate tariffs previously established in the Canada-U.S. Free Trade Agreement of 1989 was continued as planned so that all Canada-United States trade is now duty free (as of 1998). For most Mexico-United States and Canada-Mexico trade, the intent of NAFTA was to either eliminate existing customs duties immediately or phase them out in five to 10 years. By 1998, many duties had been zeroed out. On a few sensitive items, the agreement will phase out tariffs over 15 years. NAFTA-member countries may agree to a faster phase out of tariffs on any goods at anytime.

The following is a sample tariff-reduction schedule from an actual U.S. company:[1]

**TABLE 1 NAFTA-PROVIDED TARIFF-REDUCTION SCHEDULE FOR HEINZ CO. EXPORTS TO MEXICO.** (All numbers are percents)

| Product | 1960s | 1988 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Ketchup* | 100 | 20 | 20 | 16 | 12 | 8 | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| *57 sauce* | >100 | 20 | 20 | 18 | 16 | 14 | 12 | 10 | 8 | 6 | 4 | 2 | 0 |
| *BBQ Sauce* | >100 | 20 | 20 | 13.5 | 12 | 10.5 | 9 | 7.5 | 6 | 4.5 | 3 | 1.5 | 0 |
| *Vinegar* | >100 | 20 | 20 | 16 | 12 | 8 | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Pickles* | >100 | 20 | 20 | 16 | 12 | 8 | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Tomato Sauce* | >100 | 20 | 20 | 13.5 | 12 | 10.5 | 9 | 7.5 | 6 | 4.5 | 3 | 1.5 | 0 |
| *Tuna Fish** | >100 | 20 | 20 | | | | | | | | | | |

**The tariff on tuna fish (a sensitive item) will be gradually reduced and not eliminated until 2008.*

This schedule, covering multiple products for a single U.S. company, is typical of the rate of tariff reduction experienced by thousands of companies throughout America.

Among the precedent-setting arrangements in the trade agreement are: the complete liberalization of agricultural goods within 15 years; inclusion of the innovative dispute-settlement procedures of the Canada-U.S. Free Trade Agreement; trade liberalization in services, including financial services, within a framework of clear rules on IPRs; and the removal of all tariffs and quotas on textiles and apparel in North America, although the impact on that move was somewhat muted by tight guidelines regarding rules of origin.[2] Many of these arrangements signify progress on issues that eluded GATT (General Agreement on Trade and Tariffs) for generations, particularly textiles and agriculture. As Beth V. Yarbrough noted, such trade-policy breakthroughs provided GATT (now the World Trade Organization) with helpful insights in dealing with similar issues that have avoided settlement for decades.[3]

## ANALYSES OF THE NATIONAL AND LOCAL EFFECT OF NAFTA

NAFTA's *potential* impact at the national level was examined extensively in the years prior to its actual implementation.[4] For instance, the U.S. Federal Reserve Bank of Chicago estimated NAFTA would produce "output gains" for all three nations, increasing U.S. GDP by 0.24%, Mexican GDP by 0.11%, and Canada's by an astonishing 3.26%.[5]

Many studies measuring the actual impact were produced after 1994. One of these, a 1997 study by the Heritage Foundation, gave NAFTA an "A" and dubbed it a "remarkable success" on all areas of measurement, from job creation to increased exports to export-led economic growth. The study noted that U.S. exports to Mexico grew by 37% from 1993 to 1996, reaching a record $57 billion. As President Clinton happily predicted during his May 1997 trip to Mexico, by the end of 1997 the historically "Third-World" country would buy more American products than any country except Canada, surpassing second-place Japan, which has an economy 15 times larger. Over the same period, U.S. exports to Canada rose by 33%. During NAFTA's first three years, 39 of the 50 states increased their exports to Mexico, with 44 seeing a rise from 1995 to 1996.[6]

That three-year trend continued throughout the first five years of the trade accord. Since 1993, U.S. exports increased to Canada by over 50% and nearly doubled to Mexico.[7] In total, that increase reflects an added $93 billion in American exports (see Table 2).

**TABLE 2 U.S. EXPORTS TO CANADA AND MEXICO 1993-98 ($ BILLIONS)**

| Country | 1993 | 1994 | 1995[8] | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|
| *Canada* | 100.4 | 114.4 | 127.2 | 134.2 | 151.8 | 156.3 |
| *Mexico* | 41.6 | 50.8 | 46.3 | 56.8 | 71.4 | 79.0 |

*Source: U.S. Department of Commerce.*

This reflects a significant jump in exports. For such reasons, U.S. Trade Representative (U.S.T.R.) Charlene Barshefsky insists, "There is no economic argument against NAFTA."[9]

There is also the issue of jobs, on which estimates and studies vary widely.

After the first three years, the U.S.T.R. said NAFTA had created 122,000 U.S. jobs as a result of trade with Mexico, plus 189,000 due to Canada, totaling 311,000 jobs in all.[10] On the other hand, a study by a left-leaning coalition of labor and environmental groups, led by the Economic Policy Institute, contended that NAFTA cost 420,000 American jobs.[11] By mid-1997, the U.S. Department of Labor had certified 116,516 job losses. (These certifications are highly questionable, for reasons that are noted later in this report.) On the contrary, a well-publicized, cautious study done by UCLA's North American Integration and Development Center in 1997 found that the United States had experienced a net gain of 11,000 jobs due to NAFTA, losing 38,000 due to Mexican and Canadian competition and gaining 49,000 as a result of heightened U.S. exports to those nations.[12] The latter study led some analysts to understandably conclude that when it comes to NAFTA's job impact, the trade agreement is somewhat of a "wash."[13]

Estimates on job losses/gains are difficult to impossible to measure. To cite more job statistics, the U.S.T.R. argues that U.S. exports to Mexico "supports" 2.3 million American jobs. The *Dallas Morning News* cites figures asserting a gain of 688,000 new U.S. jobs after five years. Some NAFTA supporters will point to the wider creation of 12 million new American jobs and a drop in the overall unemployment rate from 7.5 to 4.9% since 1994, suggesting NAFTA had a role in the general surge in jobs.[14]

This report is skeptical about totals regarding NAFTA job losses or creation. The author avoided devising his own formulas, instead citing only claims made by others.

Studies projecting NAFTA's state-level effect were scarce, which is not unusual for trade studies.[15] That lack of analysis held for studies on NAFTA's actual state-level impact.

One of the first state-level studies was done by the Allegheny Institute for Public Policy in 1997. The Allegheny Institute study focused on NAFTA's three-year effect on Pennsylvania.[16] It found that Pennsylvania exports to Mexico and Canada reached record levels following the first full year of NAFTA's implementation, increasing by 31% and 11%, respectively.[17] Of the industry classifications for Pennsylvania, 20 of 30 industries witnessed export gains to Mexico in the first year of NAFTA, while 26 of 32 saw increases to Canada. This led to an extra $616 million in Pennsylvania exports just after the first year. Among the sectors to benefit from the trade accord were capital-goods industries and the environmental-technology sector. None of the leading sectors in the state experienced notable drops in exports to either nation. The agreement helped Pennsylvania companies like Heinz, Chester Environmental, Amp., Mine Safety Appliances, and many more. Prior to NAFTA, Heinz had no sales in Mexico. In 1996, it sold $3-5 million worth of products in Mexico.

Following the Allegheny Institute study, four state-level studies were produced in 1999, including NAFTA's effect on Texas (done by the Texas Public Policy Foundation), its effect on Michigan (Mackinac Center), Arizona (Goldwater Institute), and Florida (James Madison Institute).[18] Of these, the Florida report showed the least impressive impact. NAFTA's effect on Florida, according to the report's findings, was more beneficial than harmful, but certainly not overwhelmingly positive. The other three studies all demonstrated that NAFTA had a remarkably positive impact on their respective states.

## THE FIVE-YEAR EFFECT OF NAFTA ON THE STATE OF WISCONSIN

As stated, opening trade creates winners and losers, often based on which industries and companies find themselves at a comparative advantage or disadvantage relative to rivals in the nations they trade with. This section considers both winners and losers, in hopes of reaching a balanced assessment of NAFTA's impact on Wisconsin. It incorporates both anecdotal examples of companies claiming injury as well as those claiming benefits from NAFTA. It also includes statistics on job-loss certifications and exports.

### Losers — TAA Certification/Compensation

Before considering information that reflects positively on NAFTA, this section considers statewide companies, groups, workers, and industries that claim to have been hurt by the agreement. First, it looks specifically at companies alleging injury by NAFTA. Second, it details the number of companies and workers certified as hurt by the trade accord.

Companies and employee groups that believe they have been hurt by NAFTA can petition the Department of Labor for compensation. This compensation, known as NAFTA TAA (trade adjustment assistance), covers workers laid off as a result of heightened imports from Mexico or Canada, or because of a shift of production to those countries. Both NAFTA TAA and regular TAA (started by the Trade Act of 1974) entitle a laid off work to 52 weeks of additional unemployment compensation on top of the regular 26 weeks of compensation. Thus, a worker certified by the Department of Labor as being injured by NAFTA can receive up to 1.5 years in unemployment benefits. The first 26 weeks of standard unemployment compensation are provided by the state, whereas all NAFTA TAA and regular TAA is provided by the federal government. Given the choice, most NAFTA-injured workers opt for regular TAA benefits rather than NAFTA TAA, for two key reasons. First, regular TAA requires that the worker merely prove he was hurt by foreign competition, while NAFTA TAA demands that the worker show he was hurt by competition from Mexico or Canada; thus the burden of proof is less stringent under regular TAA. Second, under regular TAA, a worker can get a waiver from job training and still receive benefits, but not so under NAFTA TAA.

Importantly, NAFTA TAA covers not only workers hurt by heightened imports due to NAFTA or a shift in production to Mexico and Canada, but covers workers *whose jobs are indirectly affected by NAFTA or by "foreign competition*." For instance, TAA provides benefits to workers who lose jobs at a company that does business with a company that trades with Mexico or Canada. Thus, one must be somewhat skeptical about company claims of injury *by NAFTA*, regardless of whether they are certified.

Throughout the country, dubious claims have been filed and certified. *The Wall Street Journal* noted the case of the nation's oldest sawmill, which shut down in Port Gamble, Washington in 1995. The closest culprits were spotted-owl legislation or, as manager Jerry Clark put it, "We didn't have any logs." Clark was surprised when he later learned that all 135 of the mill's workers were certified as injured by NAFTA. "If anyone can find some legitimate connection to NAFTA in this," said Clark, "I'd sure like to see it."[19]

In another example, a Pittsburgh-based clothing manufacturer, Reidbord Brothers Co., was certified as hurt by NAFTA. Forced to lay off 380 employees, the company blamed its problems on the fact that its major customer switched to Mexican apparel manufacturers. This, the company claimed, was the fault of NAFTA. In fact, the real culprit for Reidbord's problems seemed to be the global marketplace in general. Those companies who bought clothing from Reidbord, such as Wal Mart and Levi Strauss, found another company who could provide less expensive clothes due to its use of cheaper Mexican labor. A company official admitted as much, stating: "We made jeans for Levi Strauss. We were charging about $2.75 a pair. They were getting them made in Mexico for $1.00. It's simple: cheaper labor.... Even prior to NAFTA they were buying things from Asia, Hong Kong.... In fact, the only reason our buyers went for Mexico rather than Asia is because of timing and lower transportation costs [in Mexico]."[20]

Many of those certified, like Reidbord, are losing to cheaper wages that have existed in Mexico for generations, and would have existed regardless of NAFTA. In many cases, possibly even a majority, the pre-NAFTA tariff levels would not have been high enough to offset Mexico’s much lower wages. According to the U.S. Department of Labor, Mexico’s wages are eight times lower than U.S. wages. Given that reality, any U.S. tariff would need to be extraordinarily high to offset the wage difference. Beyond wages, there are numerous other factors that go into a company’s location/relocation decision, such as transportation costs, educational level of the labor pool, technology, infrastructure, etc.

Motor Coils Manufacturing Co., located in the Pittsburgh area, had 50 workers certified as eligible for NAFTA retraining. Yet, none of these workers was laid off. Anchor Glass Containers Inc. shut down one furnace at its Connellsville, PA plant and laid off more than 100 workers, who were then certified for NAFTA benefits. Asked how these workers were hurt by NAFTA, Mark Karrenbauer, the company’s vice president of human resources, stated: "This had absolutely nothing to do with NAFTA at all."[21]

## Losers — Wisconsin Companies Certified as Eligible for TAA

There are a number of Wisconsin companies and workers who claim injury as a result of NAFTA. This is reflected in the number of workers certified as hurt by NAFTA.

In total, 1,600-plus Wisconsin workers have been certified by the U.S. Department of Labor. (Note: a certification does not always mean a job loss.) The Wisconsin region with the largest number of certified workers is (not surprisingly) the region that contains the most workers — Milwaukee-Waukesha. This region hosts 1,046 certified workers. This is a large number of affected workers. The Department of Labor lists the Milwaukee-Waukesha region as one among its 20 MSAs (metropolitan statistical areas) containing at least 500 NAFTA TAA certified workers. According to this list, Milwaukee-Waukesha has the 10th largest number of certifications among all MSAs in the United States (see Table 3). These workers were affected by both Mexican and Canadian competition.

This loss, however, is made up by the boom in exports by that same region. The new exports in Milwaukee-Waukesha under NAFTA have spawned at least 10,000 new jobs in the region. Clearly, while some have been hurt, many more have been helped.[22]

The other area with a lot of workers affected is Grant County, home to 576 certifications.

A variety of Wisconsin companies have applied for NAFTA TAA, suggesting that job certifications are not tied to a particular industry. The majority of petitions submitted have not been certified by the Labor Department. For instance, in 1997, 14 petitions were certified out of 29 submitted by companies themselves, workers' groups or workers at companies, or unions representing workers. Among the unions submitting petitions in Wisconsin are USWA, UAW, UAM, UBC&J, IAMAW, IBEW, and PMWU. In 1998, only 11 of 27 petitions were certified. In 1999, the number was 13 out of 34.

Table 4 on the following page contains a sample of the types of companies certified as injured by NAFTA, taken from the years 1997-99. It includes the reason for the certification.

**TABLE 3 MSAs WITH LARGEST NUMBER OF NAFTA TAA CERTIFIED WORKERS**

| Metropolitan Statistical Area | Certified Workers |
|---|---|
| 1. El Paso, TX | 4,619 |
| 2. Syracuse, NY | 3,527 |
| 3. New York, NY | 3,485 |
| 4. Philadelphia, PA | 2,643 |
| 5. Los Angeles-Long Beach, CA | 2,436 |
| 6. Chicago, IL | 2,069 |
| 7. Dallas, TX | 1,578 |
| 8. Naples, FL | 1,334 |
| 9. Albany-Schenectady-Troy, NY | 1,203 |
| 10. Milwaukee-Waukesha | 1,046 |

*Source: U.S. Department of Labor, NAFTA TAA Program*

Among these companies, some of the best known are Master Lock, Rayovac, and Stroh. Note also that included in the list are companies such as Badger Paper Mill, which claims to have been hurt from both Canadian and Mexican competition. This occurred despite the fact that Wisconsin exports in paper products performed extraordinarily well under NAFTA. Another well known Wisconsin company — Oshkosh B'Gosh — had a petition rejected in 1997. This petition was filed by workers at the company.

Another source for information on job losses is the Department of Workforce Development, part of the State of Wisconsin's Labor Department. According to this group, from 1994-98 there were 35 Wisconsin companies certified as eligible for trade adjustment assistance as a result of NAFTA. During that same period, 1,522 workers were certified. These numbers are similar to the federal numbers — all depending upon when data are counted.[23]

When combining both the federal and state numbers, it is evident that, from 1994-99, at least 48 Wisconsin companies and 1,622 workers were certified.

Of course, these "losses" must be measured against gains. Overall, according to the U.S. Department of Commerce, roughly 80,000 jobs have been gained in Wisconsin as a result of the $5.3 billion in new state exports to Mexico and Canada under NAFTA, far surpassing job losses that may have been caused by the trade agreement.

## Winners

This section explores Wisconsin companies that have benefited from NAFTA. Those benefiting are typically helped in one of two ways: 1) tariff cuts on products exported to Mexico and Canada; and 2) NAFTA's environmental side agreement, which forces Mexican governments and companies to meet environmental-compliance standards, including, for example, clean water. Wisconsin has a decent environmental-technology sector that may be benefiting from this side agreement. In regard to tariff reductions, the tariff/tax charged against Wisconsin products sold in Mexico has been reduced or eliminated as a result of NAFTA, making products cheaper in the Mexican marketplace. This usually gives Wisconsin firms a competitive advantage over firms from non-NAFTA nations competing in the same marketplace. These non-NAFTA firms do not enjoy the same tariff reduction. In most cases, tariff levels have been reduced from 20% to 0%, a substantial reduction. For most firms, these tariffs were zeroed out by 1998.

**TABLE 4 SELECTED WISCONSIN COMPANIES APPROVED FOR NAFTA TAA CERTIFICATION**

| Company | Date | Reason for Certification |
|---|---|---|
| Navistar International Transportation (Waukesha) | 2-10-97 | Shift in production to Canada |
| Kimberly Clark (Oconto Falls) | 10-28-97 | Increased company imports from Mexico |
| Ergodyne Corp. (Pence) | 9-22-97 | Shift in production to Mexico |
| Landmark USA (Berlin) | 7-16-97 | Increased customer imports from both Canada and Mexico |
| Morgan Products (Oshkosh) | 1-29-98 | Increased customer imports from Canada |
| Badger Paper Mill (Peshtigo) | 3-2-98 | Increased customer imports from both Canada and Mexico |
| Powers Holdings (Milwaukee) | 4-8-98 | Shift in production to Mexico |
| Rayovac (Madison) | 6-18-98 | Increased customer imports from both Canada and Mexico |
| Tri-Clover (Kenosha) | 7-10-98 | Shift in production to Mexico |
| Paragon Electric (Two Rivers) | 7-24-98 | Shift in production to Mexico |
| Inter Lake Papers (Kimberly) | 10-15-98 | Increased customer imports from Canada |
| Ardney Leather & Sheepskin Coat (Milwaukee) | 2-8-99 | Shift in production to Canada |
| Harman International (Prairie du Chen) | 4-29-99 | Shift in production to Mexico |
| MacWhyte Company (Kenosha) | 6-15-99 | Shift in production to Canada |
| Stroh Brewery Company (La Crosse) | 5-18-99 | Increased customer imports from Mexico |
| Chamberlain Moore O Matic (Waupaca) | 5-10-99 | Shift in production to Mexico |
| Master Lock (Milwaukee) | 6-17-99 | Shift in production to Mexico |

*Source: U.S. Department of Labor, Employment & Training Administration, Office of Trade Adjustment Assistance*

Interestingly, and notable, a tariff reduction can also help a company even if it has no competitors in the country. This is true, obviously, because it saves the company money. Wisconsin has a number of such examples among companies, including Bucyrus (next page).

## Winners — Company Success Stories

There are a number of Wisconsin companies that have been helped by NAFTA, as proven by the export data. Unfortunately, these winners are not tracked like the losers, and do not register their gains with a central department, agency, or clearinghouse. This, of course, is contrary to the losers, who register their names, as well as complaints, with the Department of Labor. As a result, NAFTA critics have a much easier time finding and citing companies hurt (even though many certified are not actually hurt by NAFTA).

The ability to identify winners is made worse by the fact that the overwhelming majority of companies being helped are not willing to discuss their experiences, typically complaining that they are "too busy." Many also do not want to divulge information about their business activities to anyone for any reason; they are very secretive. These companies are also not persuaded when told that their participation may help in the "policy war" or "political battle" over NAFTA and other trade agreements, including NAFTA's possible extension to Chile. Most of these companies could care less.

The author telephoned 51 Wisconsin companies that have done business in Mexico and/or Canada. Some of these are reported to have been helped by NAFTA. The vast majority were unwilling to participate. Most refused outright; others didn't return calls.

Of those who responded, the following cited an increase — ranging from marginal to substantial — in products sold or jobs created at their company due to NAFTA:[24]

- Instrumentarium Imagine, Inc.
- Sentry Equipment
- Meinert Market
- Bucyrus International
- Greenheck Fan

Meinert Market. Meinert has been exporting to Mexico for 30 years, where it sells injection molds for plastic products. Under NAFTA, the company has watched the tariffs on its products plummet from 20% to 0% in five years. James L. Meinert, director of international operations, says he has seen a steady increase in the company's business in Mexico since NAFTA started, and expects that increase to continue. These heightened exports have created jobs at Meinert, especially due to the fact that the company relies on exports for revenues. Roughly one-third of the company's jobs rely upon exports.

Meinert asserts: "NAFTA has helped quite a bit." He sees a "double positive" with NAFTA: 1) he says it removes annuities; and 2) the company's foreign competition continues to face the high tariffs that his company no longer faces. He concludes: "The only company that is hurt, is the company that doesn't take advantage of lower tariffs."

Bucyrus International. Bucyrus has exported directly to Mexico for more than 10 years. It has no facilities down there. According to John Boslous, vice president of international operations, the company sells commercial ice machines and refrigeration devices to "just about every major city in Mexico." He says the company's business has "definitely increased since NAFTA's passage." He has seen a "significant" increase in revenue and exports in the last three years. He attributes this success partly to NAFTA but to other factors as well, such as "more active measures" taken by the company in the region, as well as the fact that Bucyrus has no competition in Mexico. Despite the lack of competition, the company has still been helped by NAFTA, especially due to the heavy reduction in tariffs charged on its products. The tariff cuts are saving Bucyrus money.

Boslous says the increase in business in Mexico has created jobs at Bucyrus. He stresses, however, that this rise is not the only reason for the new jobs. He concludes: "NAFTA should be continued. Anytime you have an open market, the business will increase."

Importantly, Boslous cites similar gains in the Canadian market, for similar reasons.

Greenheck Fan. This company exports to both Canada and Mexico, selling fans, ventilation products, kitchen hoods, and similar items (for commercial/industrial use, not residential). It has seen only a "marginal" increase in products sold in Canada but has seen a "significant" rise in products sold in Mexico. According to Terry Radtke, international sales manager at Greenheck, under NAFTA, the company's revenues in Mexico have gone from "little or nothing to an excess of $3 million." Radtke concludes: "For us, NAFTA works." This business with Mexico is also responsible for creating some jobs at Greenheck, including at least two Spanish-speaking positions.

In addition, the Embassy of Mexico has compiled a list of Wisconsin-Mexico "success stories."[25] Some of these companies, according to the embassy and various other sources, are benefiting from NAFTA. The author was unable to confirm whether all of these companies are truly benefiting from NAFTA. Thus, readers must consider that caveat. Listed below are 10 such companies as well as supporting sources and references.

- Universal Foods Corporation (Milwaukee)[26]
- Oilgear Company (Milwaukee)[27]
- Hamlin, Inc. (Lake Mills)[28]
- Mark Travel Corporation[29]
- Miller Brewing Company[30]
- Case Corporation (Racine)[31]
- Kohler Company[32]

- Jockey International Inc. (Kenosha)[33]
- Johnson Controls, Inc[34.]
- Wisconsin Tissue Mills Inc. (Menasha)[35]

Among these, Miller Brewing and Case Corporation were reported to have been helped by NAFTA:

Miller Brewing. The Embassy of Mexico hailed the very successful year posted by Miller Brewing Company in the Mexican market in 1996. The company posted continued export and license volume gains in 1996, as the company focused primarily on building its business in existing markets. The stabilization of the peso helped boost beer sales in Mexico. Mexican beer drinkers helped Miller achieve a 33% volume gain over 1995 through sales of Miller Genuine Draft and Miller Lite. As noted, the author was unable to confirm if this success was due to NAFTA. At the least, a big gain in 1996 was probably to be expected following the overall huge drop in Wisconsin exports to Mexico in 1995.

Case Corporation. Case Corporation, which is based in Racine, more than doubled its retail sales of agricultural equipment in Latin America in 1996, including an 82% gain in the fourth quarter. Its sales in the first quarter of 1997 increased 36%. These figures derived from substantial inroads made by Case into Argentina, Brazil, Mexico, and other Latin American markets. The gains were driven mainly by growth in Mexico and Brazil.

## Wisconsin State and Regional Exports to Canada and Mexico

The previous sections of this report employed anecdotal evidence of firms hurt and helped by NAFTA. While such data are helpful in constructing a profile of the trade accord's impact, they are largely selective and inconclusive. The best measurement of the effect of the trade agreement is export data. When coupled with export figures, the anecdotal evidence on firms becomes more powerful in explaining NAFTA's effect on the state. This section considers export data. It looks at total exports to Canada and Mexico by Wisconsin as a whole as well as specific regions/MSAs (Metropolitan Statistical Areas) within the state.

Importantly, there are two sources of data on local exports — MISER and DoC. "MISER" refers to the University of Massachusetts' Institute for Social and Economic Research. "DoC" refers to the U.S. Department of Commerce. While both sources are credible, they collect export data differently (see endnote for explanation).[36] This seemingly minor difference can lead to drastically divergent numbers among states. For instance, MISER data show that the State of Michigan increased exports to Mexico by 150% from 1993 to 1998. On the contrary, DoC data show a more modest gain of 40%. In other states, the difference is slight. For instance, Pennsylvania exports to Mexico after NAFTA's first year increased by 31% according to MISER and by 38% according to DoC.

The author has seen selective use of these data by NAFTA proponents and opponents.[37] To avoid such bias, as well as to provide a complete and accurate picture of NAFTA's effect on Wisconsin, this report includes both sources of data. Used in tandem, the two sources provide a more complete picture. Ignoring one set of data would not offer a full picture.

Of the two sources, only DoC collects and publishes data at the regional/MSA level — MISER does not. Thus, this reports lists only DoC data at the regional/MSA level.

Data exist on total exports produced by eight Wisconsin regions.[38] The regions range from the likes of Green Bay and Kenosha to Milwaukee and Racine. This section first looks at the eight regions — also known as MSAs — followed by Wisconsin as a whole.

### Wisconsin Regional/MSA Exports to Canada and Mexico

The U.S. Department of Commerce lists the largest 181 exporting MSAs in America. Eight of these MSAs are located in Wisconsin. Below are the export gains experienced by those eight MSAs — a.k.a, "regions." Importantly, the tables on the following pages compare exports to non-NAFTA nations (all nations aside from Mexico and Canada) to those to the two NAFTA nations.

As seen from the tables, all but one of the state's eight MSAs/regions witnessed big increases in exports to both Canada and Mexico since NAFTA began. The only unfavorable region was Appleton-Oshkosh-Neenah. Of the eight, another region — Racine — had near identical rises in exports to both the NAFTA and non-NAFTA regions.

Racine aside, since NAFTA began, five of Wisconsin's seven regions saw larger rises in exports to the NAFTA nations over the non-NAFTA nations — an overall impressive fact.

**Appleton-Oshkosh-Neenah**

| Countries | 1993 ($)* | 1998 ($)* | 1993-98 (% change) |
|---|---|---|---|
| ***NAFTA nations*** | 330,627 | 354,825 | 7.3 |
| ***Canada*** | 278,726 | 314,199 | 12.7 |
| ***Mexico*** | 51,902 | 40,627 | -21.7 |
| ***Non-NAFTA nations*** (Rest of World) | 198,901 | 303,193 | 52.4 |

** figures are expressed in thousands of dollars*
*Source: U.S. Census Bureau, Exporter Location Series.*
*Prepared by: Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce.*
*These data are hereafter referred to as "U.S. DoC data."*

**Green Bay**

| Countries | 1993 ($)* | 1998 ($)* | 1993-98 (% change) |
|---|---|---|---|
| ***NAFTA nations*** | 77,273 | 126,724 | 64.0 |
| ***Canada*** | 70,223 | 110,804 | 57.8 |
| ***Mexico*** | 7,051 | 15,919 | 125.8 |
| ***Non-NAFTA nations*** (Rest of World) | 56,824 | 97,894 | 72.3 |

*Source: U.S. DoC data.*

**Kenosha I (1993-98 change)**

| Countries | 1993 ($)* | 1998 ($)* | 1993-98 (% change) |
|---|---|---|---|
| ***NAFTA nations*** | 50,932 | 430,327 | 744.9 |
| ***Canada*** | 45,302 | 420,069 | 827.3 |
| ***Mexico*** | 5,630 | 10,259 | 82.2 |
| ***Non-NAFTA nations*** (Rest of World) | 75,919 | 134,453 | 77.1 |

*Source: U.S. DoC data.*

**Kenosha II (1997-98 change)**

| Countries | 1997 ($)* | 1998 ($)* | 1997-98 (% change) |
|---|---|---|---|
| ***NAFTA nations*** | 93,463 | 430,327 | 360.4 |
| ***Canada*** | 86,932 | 420,069 | 383.2 |
| ***Mexico*** | 6,531 | 10,259 | 57.1 |
| ***Non-NAFTA nations*** (Rest of World) | 138,629 | 134,453 | -3.1 |

*Source: U.S. DoC data.*

### Madison

| Countries | 1993 ($)* | 1998 ($)* | 1993-98 (% change) |
|---|---|---|---|
| ***NAFTA nations*** | 94,573 | 216,025 | 128.4 |
| ***Canada*** | 86,928 | 192,562 | 121.5 |
| ***Mexico*** | 7,645 | 23,463 | 206.9 |
| ***Non-NAFTA nations*** (Rest of World) | 263,115 | 371,757 | 41.3 |

*Source: U.S. DoC data.*

### Milwaukee-Waukesha

| Countries | 1993 ($)* | 1998 ($)* | 1993-98 (% change) |
|---|---|---|---|
| ***NAFTA nations*** | 756,195 | 1,345,126 | 77.9 |
| ***Canada*** | 631,125 | 1,126,199 | 78.4 |
| ***Mexico*** | 125,070 | 218,927 | 75.0 |
| ***Non-NAFTA nations*** (Rest of World) | 1,581,110 | 2,225,132 | 40.7 |

*Source: U.S. DoC data.*

### Racine

| Countries | 1993 ($)* | 1998 ($)* | 1993-98 (% change) |
|---|---|---|---|
| ***NAFTA nations*** | 168,139 | 221,624 | 31.8 |
| ***Canada*** | 161,828 | 205,995 | 27.3 |
| ***Mexico*** | 6,311 | 15,628 | 147.6 |
| ***Non-NAFTA nations*** (Rest of World) | 196,988 | 260,877 | 32.4 |

*Source: U.S. DoC data.*

### Sheboygan

| Countries | 1993 ($)* | 1998 ($)* | 1993-98 (% change) |
|---|---|---|---|
| ***NAFTA nations*** | 73,063 | 159,854 | 118.8 |
| ***Canada*** | 60,104 | 134,154 | 123.2 |
| ***Mexico*** | 12,959 | 25,700 | 98.3 |
| ***Non-NAFTA nations*** (Rest of World) | 134,041 | 156,544 | 16.8 |

*Source: U.S. DoC data.*

### Wausau

| Countries | 1993 ($)* | 1998 ($)* | 1993-98 (% change) |
|---|---|---|---|
| ***NAFTA nations*** | 58,909 | 80,239 | 36.2 |
| ***Canada*** | 52,176 | 69,029 | 32.3 |
| ***Mexico*** | 6,733 | 11,210 | 66.5 |
| ***Non-NAFTA nations*** (Rest of World) | 63,556 | 78,679 | 23.8 |

*Source: U.S. DoC data.*

The worst of the eight regions is Appleton-Oshkosh-Neenah, which saw a modest 7% gain in exports to the NAFTA nations since 1993, pulled down by a 22% decline to Mexico. This contrasts poorly with a 52% rise to non-NAFTA nations over the period. This is also one of the more puzzling regions, considering that Appleton supplies such a large volume of paper to the Mexican market. As seen in the section of this report focused on specific industries, the paper-products sector saw its exports rise by two-and-a-half times (154%) to $27 million in 1998. Wisconsin is said to be the largest paper supplier to Mexico. Thus, the full picture for the Appleton-Oshkosh-Neenah region is clearly mixed. Any losses within that region are not being experienced in paper products.

Here are some key facts from specific Wisconsin regions.

Although the Green Bay area's exports to Canada jumped by 58% under NAFTA, this rise was slightly smaller than the big 72% increase in exports to the non-NAFTA nations since the trade accord took effect. Impressively, however, Green Bay's exports to Mexico more than doubled with a 126% rise, well beyond the overall rise in Green Bay exports to the NAFTA nations combined and non-NAFTA nations. In short, the story for Green Bay is that its exports to Mexico have increased considerably under NAFTA.

Another of Wisconsin's more impressive regions under NAFTA is Madison, which has increased its exports to Canada by 122% — three times faster than its rate of increase to non-NAFTA nations over the same period — and to Mexico by 207%, five times faster.

The Racine area has seen an impressive 148% rise in exports to Mexico, almost five times its rise to non-NAFTA nations. Another highly impressive case is the Sheboygan area, which saw a 119% jump in its exports to Mexico and Canada, compared to a modest 17% rise to the rest of the world. Ditto for the Wausau region as well, which also exceeded its exports to the non-NAFTA nations. Wausau's exports to Mexico increased by 67%, almost triple its 24% rise in exports to the non-NAFTA nations.

Possibly the best news for Wisconsin as a whole is the data from the Milwaukee-Waukesha region. Before NAFTA started on January 1, 1994, the Milwaukee-Waukesha region exported $756 million worth of products and services to Mexico and Canada. Since then, it has increased its exports to the NAFTA nations by 78%, near double its rate to the non-NAFTA nations (which comprise all its remaining export partners). The region now exports $1.35 billion to the two nations, an added $589 million per year. This new total more than makes up for the region's TAA certifications, which at 1,046 comprises the largest number of workers certified among any Wisconsin region. Indeed, according to DoC, which estimates that 15,000 new jobs are created for every new $1 billion in exports, this rise in exports accounts for at least 10,000 new jobs in this region alone.

The Milwaukee-Waukesha region accounts for 39% of all Wisconsin exports. Within that total, the NAFTA nations now make up 36% of Milwaukee-Waukesha's overall export base. Clearly then, Mexico and Canada are important to the Wisconsin economy. And, because of that fact, the Milwaukee-Waukesha region's 78% export rise to the two nations under NAFTA — again, almost double the rise to non-NAFTA nations — matters.

Also notable — and extraordinary — is the Kenosha region. Wisconsin can boast quite possibly the greatest NAFTA success story among all regions in the United States. According to DoC, the Kenosha metro area saw the nation's single largest percent growth in total exports from 1997-98, rising by 143%. (This total well surpassed other regions. For example, in second place was Terre Haute, Indiana, which witnessed a 111% increase, followed by the Eugene-Springfield area in Oregon, which saw a 96% increase.)[39] This rise was fueled by NAFTA exports, which made a near five-fold leap from 1997-98 for the Kenosha area. *Incredibly, Kenosha's exports to non-NAFTA nations (i.e, the rest of the world) over the same period actually declined by 3.1%.* (It is possible that this surge was driven by exports from one, two, or a handful of companies. Unfortunately, DoC is not permitted to release information on specific companies. Thus, we don't know for sure. Of course, it is also true that many to most regions that experience such gains are piggybacking off a major gain from one to a handful of companies. Kenosha may or may not be an exception.)

Most impressive, since NAFTA started, Kenosha's combined exports to Mexico and Canada have increased by a staggering 745%. This NAFTA jump was, in particular, led by Kenosha exports to Canada, which have increased 827% under NAFTA. This rate far surpasses the 77% rise to non-NAFTA nations since NAFTA started. This is an absolutely remarkable difference.[40] Among the six reports the author has written on NAFTA's impact, the Kenosha region has the most impressive gain he has encountered.

## Wisconsin State Exports to Canada and Mexico

This section uses both MISER and DoC data to examine NAFTA's impact on Wisconsin on a non-regional basis. Specifically, it examines overall state export numbers. In addition, unlike the regional section, this section breaks down exports statewide on an industry-by-industry basis. As noted, there are two sources of data on state exports — MISER and DoC. MISER data go back to 1988 and are updated through 1998. DoC data go back only to 1993. Both sources are used to evaluate the state's overall change in exports to Mexico and Canada. MISER offers a better chance to view long-term trade flows. This section includes both sources of data. Used in tandem, the two sources likely provide a more complete picture.

While both sources measure exports industry by industry, the author decided to use only DoC industry data merely to mitigate the confusion arising from too many numbers.

## State Exports

According to DoC data, 43% of Wisconsin's $9.2 billion in 1998 exports went to Canada and Mexico, mostly Canada. More impressive, half of Wisconsin's overall $3.4 billion gain in exports since NAFTA began went to merely two countries — Mexico and Canada. (The gain to Mexico and Canada was $1.74 billion, including $1.5 billion to Canada alone.) This figure comes from increased exports to Mexico and Canada after NAFTA started on January 1, 1994. In other words, Wisconsin's exports to merely two of the world's 170-plus nations accounted for over half its rise in exports since NAFTA began.

In 1998, Wisconsin exported $3.5 billion to Canada. Canada is by far the state's largest market, buying 38% of all its exports. Mexico is Wisconsin's fourth (almost third) largest export market, buying $512 million of its exports in 1998, barely behind the United Kingdom and not far from Japan. Listed in Table 5 are Wisconsin's top 5 export markets.

One of the more impressive realities concerning Wisconsin's trade with Mexico and Canada is seen in Table 6. In recent years, Mexico and Canada have become among the most dependable export markets for Wisconsin. Indeed, consider the most recent two years for which data are available — 1997 and 1998. From 1997 to 1998, among its top seven export markets, Wisconsin saw a rise in exports only to Mexico and Canada. Moreover, those rises were at double-digit levels, increasing 20% to Mexico and 12% to Canada. Among the state's top 18 export markets, Mexico and Canada were two of only five that saw a rise in Wisconsin exports, and two of only three that saw a double-digit increase. (The other witnessing a double-digit increase was the Philippines, which buys considerably less products than either of the NAFTA countries.)

**TABLE 5 WISCONSIN'S TEN LEADING EXPORT MARKETS IN 1998 (DOC DATA IN $)**

| | |
|---|---|
| ***Total to World*** | ***$9.2 billion*** |
| 1. Canada | 3.5 billion |
| 2. Japan | 640 million |
| 3. United Kingdom | 513 million |
| 4. Mexico | 512 million |
| 5. Germany | 446 million |

*Source: U.S. DoC data.*

There are some impressive realities that can be drawn from these DoC figures as well as others not listed in Table 6 because of space limitations. For instance, Wisconsin's 12% increase in exports to Canada is the second largest increase among its top 13 export partners from 1997-98, behind only Mexico. That same 12% is the third best among its top 14 export markets, fourth among its top 23, and fifth among its top 42.

Mexico ranks even better in this regard. Wisconsin's 20% increase in exports to Mexico from 1997-98 ranks first among the state's top 13 export partners. The 20% figure also ranks second among the top 14 export partners, third among the top 23, and fourth among the top 42.

Clearly, few export markets are more important to Wisconsin than Mexico and Canada. Thus, it is extremely positive that Wisconsin's exports to those two nations have risen notably under NAFTA. (It is also worth noting that Mexico has among the lowest GDP of many of the nations listed above, at least among the top 5.) Tables 7 and 8 on the following pages show the steep rise in Wisconsin's exports to Mexico and Canada after NAFTA began in 1994.

**Table 6 Top Wisconsin Export Markets in Most Recent Two Years (DoC data)**

| Country | 1997 ($) | 1998 ($) | 1997-98 % change |
|---|---|---|---|
| 1. Canada | 3,096,277 | 3,457,298 | 11.7 |
| 2. Japan | 693,721 | 639,581 | -7.8 |
| 3. United Kingdom | 612,552 | 513,065 | -16.2 |
| 4. Mexico | 427,283 | 512,079 | 19.8 |
| 5. Germany | 462,246 | 445,558 | -3.6 |
| 6. France | 453,993 | 327,657 | -27.8 |
| 7. Australia | 380,550 | 267,521 | -29.7 |
| 8. Netherlands | 238,912 | 261,150 | 9.3 |
| 9. Brazil | 243,942 | 228,134 | -6.5 |
| 10. Hong Kong | 186,935 | 171,834 | -8.1 |
| 11. Italy | 160,174 | 167,237 | 4.4 |
| 12. Belgium | 205,302 | 163,886 | -20.2 |
| 13. Taiwan | 160,270 | 147,741 | -7.8 |
| 14. Philippines | 71,854 | 136,663 | 90.2 |
| 15. China | 146,215 | 118,666 | -18.8 |
| 16. Chile | 129,295 | 103,875 | -19.7 |
| 17. Argentina | 102,184 | 97,763 | -4.3 |
| 18. Singapore | 149,271 | 87,507 | -41.1 |

*Source: U.S. Department of Commerce*

As the data show, Wisconsin's exports to Canada and Mexico have increased significantly, making first year leaps of 25% and 43%, respectively. For each, exports increased by at least double digits all but one year. Five years after NAFTA (1998), Wisconsin's annual exports to Canada were $1.5 billion higher than before NAFTA (1993) — a gain of 77.6%. Its exports to Mexico increased by $224 million — a near equal gain of 78.0%.

**Table 7 Wisconsin Exports to Mexico and Canada (DoC data in $ thousands)**

| Year | Canada | % annual change | Mexico | % annual change |
|---|---|---|---|---|
| ***1993*** | 1,947,115 | NA | 287,730 | NA |
| ***1994 **** | 2,438,407 | 25.2 | 411,943 | 43.2 |
| ***1995*** | 2,808,604 | 15.1 | 310,972 ** | -24.5 |
| ***1996*** | 2,685,579 | 4.4 | 350,473 | 12.7 |
| ***1997*** | 3,096,277 | 15.3 | 427,283 | 21.9 |
| ***1998*** | 3,457,298 | 11.7 | 512,079 | 19.8 |
| **Change1993-98** | **$1,510,183** | **77.6%** | **$224,349** | **78.0%** |

** NAFTA started January 1, 1994.*
*** Drop reflects decline in Mexico buying power due to 1995 recession and peso crisis.*
*Source: U.S. DoC data.*

Comparing the years 1993 and 1998, Wisconsin has increased its annual export total to Canada and Mexico by $1.73 billion under NAFTA.

The cumulative/aggregate total, of course, is even higher, reaching $5.32 billion. This figure is derived by totaling the gain in exports from 1993 to each of the following years — 1994, 1995, 1996, 1997, and 1998. The $5.32 billion includes $4.74 billion from Canada and $574 million from Mexico.

In its most conservative estimate, the Department of Commerce claims 15,000 jobs are created for every $1 billion in new exports.[41] Using that formula, NAFTA has created 79,845 jobs in the State of Wisconsin.

Overall, Wisconsin's exports to the world increased from $5.81 billion to $9.22 billion, a gain of $3.41 billion. During that same period, Wisconsin's exports to Mexico and Canada increased by $1.73 billion. In other words, over half of the overall increase in Wisconsin exports was comprised of exports merely to Mexico and Canada. (This same ratio is also in the MISER data.) Thus, one could argue that the overall gain in Wisconsin exports over the past five years was driven by exports to the two NAFTA countries.

Looking at Table 7, one negative number jumps out — the 25% drop in Wisconsin exports to Mexico in 1995. What explains this decrease? The answer is simple: the severity of the 1995 Mexican recession/peso crisis — that nation's worst economic calamity in years, which required a U.S.-backed $40 billion bailout package. This halted Mexicans' purchase of Wisconsin goods. (This same drop is also seen in the MISER data below.) Indeed, had it not been for the 1995 setback, the impressive rate of overall increase during the NAFTA years — again, 78% — may have been even higher. Moreover, in NAFTA's defense, some will argue that Wisconsin exports to Mexico would have suffered worse in the 1995 period had it not been for the strength generated by the trade accord. While possibly true, that argument is difficult to prove.

In fact, considering the 1995 recession, it's impressive that Wisconsin's exports to Mexico rebounded so strongly in 1996 and continued to flourish through 1998. Following the 1995 dip, these exports quickly resumed an annual pace of double-digit increases.

While the figures in Table 7 are impressive, their usefulness is constrained by a lack of information on long-term/pre-NAFTA trade flows between Wisconsin, Mexico, and Canada. This is because DoC did not start recording data until 1993. Fortunately, however, pre-NAFTA numbers — dating back to 1988 — were collected by MISER. As seen in Table 8, MISER data allow for some important conclusions.

**TABLE 8 WISCONSIN EXPORTS TO MEXICO AND CANADA (MISER DATA IN $)**

| Year | Canada | % annual change | Mexico | % annual change |
|---|---|---|---|---|
| ***1988*** | 1,429,161,957 | NA | 83,188,028 | NA |
| ***1989*** * | 1,391,557,016 | -2.7 | 135,217,443 | 62.50 |
| ***1990*** | 2,184,278,637 | 57.0 | 136,880,302 | 1.20 |
| ***1991*** | 1,923,506,437 | -12.0 | 249,910,666 | 82.60 |
| ***1992*** | 2,050,427,312 | 6.6 | 250,000,412 | 0.03 |
| ***1993*** | 2,522,912,144 | 23.0 | 289,284,385 | 15.70 |
| ***1994*** ** | 2,914,002,772 | 15.5 | 420,336,644 | 45.30 |
| ***1995*** | 3,550,336,788 | 21.8 | 313,973,680*** | -25.30 |
| ***1996*** | 3,307,069,653 | -6.8 | 394,329,669 | 25.60 |
| ***1997*** | 3,755,374,912 | 13.5 | 496,405,168 | 25.90 |
| ***1998*** | 4,055,264,643 | 8.0 | 567,441,392 | 14.30 |
| **Change 1988-93** | **$1.09 billion** | **76.5%** | **$206 million** | **247.70%** |
| **Change 1993-98** | **$1.53 billion** | **60.7%** | **$278 million** | **96.20%** |

** 1989 marks the start of the free-trade agreement between the U.S. and Canada.*
*** NAFTA started January 1, 1994.*
**** Drop reflects decline in Mexico buying power due to 1995 recession and peso crisis.*
*Source: U.S. DoC data.*

On the Canada side, Wisconsin's exports grew by $1.53 billion during the five NAFTA years, compared to growth of $1.09 billion during the five pre-NAFTA years. The rate of growth, however, has been somewhat slower post-NAFTA than pre-NAFTA — 60.7% compared to 76.5% — although both rates are highly positive. What accounts for the difference? 1) Wisconsin's *overall* exports grew much faster pre-NAFTA than post-NAFTA, as indicated by the rise to both non-NAFTA and NAFTA nations shown in Table 10. This suggests pre-NAFTA growth was part of an overall surge in state exports during the period. 2) Wisconsin trade with Canada had been liberalized primarily via the 1989 U.S.-Canada Free Trade Agreement. Indeed, especially impressive is the 57.0% jump in Wisconsin exports to Canada from 1989 to 1990 — the first year after implementation of the 1989 U.S.-Canada Free Trade Agreement — following a 2.7% decline the previous year. This huge single-year boost in state exports to Canada drove the overall 76.5% increase from 1988-93.

Most startling is the huge jump in Wisconsin exports to Mexico both before and after NAFTA, especially before NAFTA. Under NAFTA, Wisconsin exports to Mexico almost doubled, rising by $278 million, or an increase of 96.2%. Yet, that very impressive increase pales in comparison to the tripling of exports to Mexico prior to NAFTA, rising by $206 million, or an increase of 247.7%. This pre-NAFTA gain is remarkable.

**TABLE 9 CHANGE IN WISCONSIN EXPORTS TO NAFTA AND NON-NAFTA NATIONS (DOC DATA)**

| Year | Non-NAFTA nations | NAFTA nations |
|---|---|---|
| ***1993*** | $3.58 billion | $2.23 billion |
| ***1994*** | $4.08 billion | $2.85 billion |
| ***1998*** | $5.25 billion | $3.97 billion |
| ***% change 1993-94*** | 14.0% | 27.8% |
| ***% change 1993-98*** | 46.6% | 78.0% |

What accounts for the larger gain pre-NAFTA compared to post-NAFTA? A number of factors: 1) Again (as seen with Canada), the state's overall exports grew to both non-NAFTA and NAFTA nations much faster pre-NAFTA than post-NAFTA. This suggests that the pre-NAFTA growth was part of an overall surge in state exports during the period. 2) The 1995 Mexican recession crushed Wisconsin exports that year, causing the only single-year decline in exports during the entire 10 years of data. Moreover, the decline was substantial, plummeting 25%. To provide a sense of proportion, this one-year drop was by $107 million, which exceeded (by 29%) the *entire total exports* that Wisconsin sold in Mexico in 1988. 3) The baselines for comparing the change from 1988-93 and 1993-98 are widely divergent. The 1988 baseline is much lower than the 1993 baseline (by three-and-a-half times), meaning it's easier to achieve a significantly larger gain from 1988-93 than from 1993-98. For a sense of proportion, consider that in 1988 Mexico was Wisconsin's 13th largest export market, compared to fourth in 1998 (almost third).

**TABLE 10 CHANGE IN WISCONSIN EXPORTS TO NAFTA AND NON-NAFTA NATIONS (MISER DATA)**

| Year | Non-NAFTA nations | NAFTA nations |
|---|---|---|
| ***1988*** | $3.01 billion | $1.71 billion |
| ***1993*** | $4.89 billion | $2.81 billion |
| ***1998*** | $6.04 billion | $4.62 billion |
| ***% change 1988-93*** | 62.5% | 64.3% |
| ***% change 1993-98*** | 23.5% | 64.4% |

Finally, there's a fourth critical factor that may help explain the larger pre-NAFTA gain, as posited in a theory offered by Frank Leach of the Laredo Development Foundation in Laredo, Texas. Pointing to the Laredo port and region generally, Leach maintains that NAFTA hasn't mattered as much as the 1986 GATT agreement. "That was the huge change," says Leach. "That made the difference." Following that, he adds, came the big changes in Mexico under President Salinas in the late 80s and early 90s, including the tariff cuts and liberalizing of trade, the large scale privatization, and modernization in investment. Leach argues: "NAFTA just bumped it up a bit after all that." Thus, Leach feels that NAFTA, while a positive force in increasing U.S. exports to Mexico, was secondary to these prior pre-NAFTA changes. Hence, to Leach, one might expect to see a larger increase in state exports to Mexico prior to NAFTA rather than after NAFTA.

Does this, then, undermine the argument that NAFTA matters in a positive way? Of course, not. Leach's point is that: 1) NAFTA mattered and helped, but 2) the pre-NAFTA changes also mattered and helped, possibly even more so in some situations.

This theory may or may not apply to Wisconsin's pre-/post-NAFTA exports to Mexico.

Whatever the reasons for the larger gain pre-NAFTA, the reality is that both the pre- and post-NAFTA gains in Wisconsin exports to Mexico have been spectacular, among the nation's best among all states. Regardless of which is higher, both are highly positive.

Considering the qualifiers against the data in the Table 8, the information in Tables 9 and 10 is particularly important in achieving a proper assessment of NAFTA.

Importantly, Tables 7 and 8 do not distinguish between exports to the NAFTA nations (*i.e.*, Mexico and Canada) and to the non-NAFTA nations (*i.e.*, the "rest of the world," or all nations excluding Mexico and Canada). Tables 9 and 10 make that distinction. Table 9 uses DoC figures; Table 10 employs longer-term MISER data.

Impressively, according to DoC, the gain in Wisconsin exports to the non-NAFTA nations from 1993-94 — *i.e.*, NAFTA's first full year — was 14.0%, half the 27.8% gain to the NAFTA nations. Overall, since NAFTA started, Wisconsin's 1993-98 gain in exports to non-NAFTA nations is 46.6% compared to a 78.0% gain to the NAFTA nations.

In addition, the 14.0% gain to the non-NAFTA nations is lower than the 25.2% increase to Canada over that period and three times less than the 43.2% rise to Mexico. For Wisconsin exports to Mexico, this same comparison is even more pronounced with MISER data, where state exports to Mexico increased 45.3% compared to 10.6% for state exports to all the non-NAFTA nations.

Table 10 incorporates MISER data, which includes pre-NAFTA/1988 data.

More so than the DoC data, the MISER data show that exports to the NAFTA nations well outpaced the rise to the non-NAFTA nations, by a margin of 64.4% to 23.5%.

As with the DoC data, this fact reflects a critical point that must be emphasized and understood: the growth in Wisconsin exports to Mexico and Canada under NAFTA was not part of an overall general surge in Wisconsin exports to all countries. On the contrary, the equally strong growth pre-NAFTA can be attributed to an overall surge in exports.

Again noticeable in the MISER data is the fact that post-NAFTA exports to Mexico and Canada barely outpaced pre-NAFTA exports. The reasons for this were cited previously.

## WISCONSIN INDUSTRY-BY-INDUSTRY EXPORTS

The next level of analysis examines export statistics by industry group in Wisconsin. The Department of Commerce uses the standard industrial classifications (SIC categories) to break down exported goods by industry. To mitigate the confusion of too many numbers, this section employs only the much more easily accessible DoC data (*i.e.*, no MISER data). In addition, some might argue that an increase in industry exports to Canada and Mexico from 1993-98 should be expected regardless of NAFTA — meaning we should expect a larger number five years later. This argument is hurt by the fact that immediate gains were apparent after the first year of NAFTA.[42] As shown, remarkably, export gains have been experienced by nearly every single industry (Tables 11 and 12).

### Industry-by-Industry Exports to Canada

After NAFTA's first year, of the 32 Wisconsin industries that export to Canada, 25 increased exports — near 80%. Overall, from 1993 to 1998, 28 of 32 — almost 90% of industries exporting to Canada — experienced heightened exports. Of those 28, 22 saw double-digit increases, and nine of the 28 witnessed increases well exceeding 90%. Included in that 90% category are some of the largest sectors in the state, including:

- industrial machinery and computers (95% increase)
- scientific and measuring equipment (147%)
- transportation equipment (159%)
- electronics and electrical equipment (117%)

**TABLE 11 WISCONSIN INDUSTRY GAINS OR LOSSES IN EXPORTS TO CANADA SINCE NAFTA**

| SIC Category | 1993 exports ($ thousands) | 1998 exports ($ thousands) | 1993-98 % change |
|---|---|---|---|
| Food products | 84,143 | 148,861 | 76.9 |
| Textile mill products | 13,638 | 25,771 | 89.0 |
| Apparel | 10,459 | 16,549 | 58.2 |
| Lumber & wood products | 26,091 | 45,206 | 73.3 |
| Furniture & fixtures | 32,057 | 33,806 | 4.0 |
| Paper products | 177,632 | 249,760 | 40.6 |
| Printing & publishing | 26,037 | 30,021 | 15.3 |
| Chemical products | 103,021 | 161,261 | 56.5 |
| Refined petroleum products | 6,658 | 9,456 | 42.0 |
| Rubber & plastic products | 87,844 | 123,923 | 41.1 |
| Leather products | 16,391 | 13,142 | -19.8 |
| Stone, clay, and glass products | 13,407 | 19,963 | 48.9 |
| Primary metals | 25,502 | 49,616 | 98.1 |
| Fabricated metal products | 105,812 | 163,795 | 54.8 |
| Industrial machinery & computers | 643,512 | 1,251,479 | 94.5 |
| Electric & electronic equipment | 134,310 | 291,554 | 117.1 |
| Transportation equipment | 174,488 | 451,244 | 158.6 |
| Scientific & measuring instruments | 80,347 | 198,687 | 147.3 |
| Miscellaneous manufactures | 62,104 | 67,437 | 8.6 |
| Unidentified manufactures | 6,274 | 9,070 | 44.6 |
| Agricultural products | 12,770 | 11,646 | -8.8 |
| Livestock & livestock products | 8,343 | 8,549 | 2.5 |
| Other commodities | 96,374 | 76,500 | -20.6 |
| Forestry products | 1,313 | 2,129 | 62.1 |
| Fish & other marine products | 598 | 970 | 62.3 |
| Metallic ores & concentrates | 50,537 | 7 | -100.0 |
| Bituminous coal & lignite | 643 | 16,074 | 2,400.1 |
| Crude petroleum & natural gas | 125 | 1,457 | 1,065.3 |
| Nonmetallic minerals | 714 | 2,066 | 189.2 |
| Scrap & waste | 16,479 | 20,836 | 26.4 |
| Used merchandise | 699 | 1,618 | 131.6 |
| Goods imported & returned unch. | 20,631 | 27,051 | 31.1 |
| ***Total Exports for all Industries*** | ***1,947,115*** | ***3,457,298*** | ***77.6%*** |
| ***Industries with gains*** | ***1993-94 gain by 25/32*** | | ***28 of 32*** |

*Source: DoC data*

Of these, industrial machinery and computers is the largest exporting sector to Canada. This industry nearly doubled its exports, hitting almost $1.3 billion. Notably, this sector by itself comprises over one third of all Wisconsin exports to Canada. Indeed, considering the fact that Wisconsin exports to Canada make up close to 40% of all state exports, the export of industrial machinery and computers to Canada may be Wisconsin's single largest export sector to any country. In fact, the sector by itself comprises 14% of all Wisconsin exports anywhere — nearly one seventh. This point can't be stressed enough. Thus, it's very important that this prodigious sector saw a big jump in exports under NAFTA.

Another important gainer was paper products, which saw a 41% rise in exports to Canada. Prior to NAFTA's start, paper products were the second largest Wisconsin export to Canada, selling $177 million in 1993. Since NAFTA began, it has slipped to fourth, having been eclipsed by electronics/electrical equipment, which now exports $291 million in products to Canada, and transportation equipment, which exports $451 million.

Two categories saw four-digit gains, including jumps of 1,065% and 2,400%.

There are, however, four industries that lost exports to Canada under NAFTA, including:

- Leather products (20% decrease in exports)
- Agricultural products (-9%)
- "Other commodities" category (-21%)
- Metallic ores and concentrates (-100%)

Of these four decliners, leather products and agricultural products are small export sectors, whereas the other two categories are more substantial. Specifically, the category of "other commodities" was the seventh largest exporter to Canada prior to NAFTA, while the category "metallic ores and concentrates" was the 12th largest sector.

These negatives must, of course, be acknowledged. Nonetheless, there is little doubt that the overall picture for Wisconsin industry exports to Canada is a positive one.

## Industry-by-Industry Exports to Mexico

Table 12 shows industry by industry exports gains for Wisconsin to Mexico.

The figures in Table 12 are startling. Of all the states that the author has examined, Wisconsin has the highest percentage of industries that have gained in their exports to Mexico after the first year. Literally almost every industry, 29 of 30, or 97%, increased its exports. The only exception was the category "Used Merchandise," which had a first-year decline from $453,000 in exports to $185,000. Yet, that decline did not last. By 1998, that initial $453,000 had mushroomed to a total of $4.0 million — a 788% increase.

The overall gains among industries from 1993-98 was not as impressive as the first-year gain under NAFTA, as 25 of 30 industries saw increases — but still a very strong majority.

What happened between 1994-98 that explains this dip? The 1995 Mexican recession.

The Mexican recession had a devastating short-term impact on Wisconsin's exports to Mexico. Only 7 of 30 industries (23%) saw export gains from 1994 to 1995, after all but one saw gains the year before. (These data are not shown in Table 12.) Just as the author has yet to see a state with so many industries that gained from NAFTA after its first year, he has yet to see a state with so many industries that lost in its second year.

Despite this, Wisconsin's exports to Mexico rebounded sharply after 1995.

In fact, considering the devastation wrought by the 1995 recession, the lofty 1998 figures are remarkable. The overall rise from 1993 to 1998 is extraordinarily positive. Amazingly, from 1993 to 1998, 19 of the state's 30 industries (63%) increased their exports by percentages of three to four digits — in other words, specifically, by at least 122%. Four of those 19 saw increases of 769% or higher, including two that exceeded 1,000%. One industry sold literally nothing in Mexico in 1993, but was up to $214,000 by 1998. In other words, the typical Wisconsin industry at least doubled its exports to Mexico under NAFTA. Actually, 14 of 30 at least tripled their exports to Mexico. Thus, a tripling of exports is almost the norm for Wisconsin industries that have exported to Mexico under NAFTA. Another 11 industries — near 40% — at least quadrupled exports.

**TABLE 12 WISCONSIN INDUSTRY GAINS OR LOSSES IN EXPORTS TO MEXICO SINCE NAFTA**

| SIC Category | 1993 exports ($ thousands) | 1998 exports ($ thousands) | 1993-98 % change |
|---|---|---|---|
| Food products | 14,817 | 41,906 | 182.8 |
| Textile mill products | 555 | 4,820 | 768.6 |
| Apparel | 1,343 | 1,428 | 6.3 |
| Lumber & wood products | 1,260 | 3,210 | 154.8 |
| Furniture & fixtures | 2,627 | 3,083 | 17.3 |
| Paper products | 10,810 | 27,465 | 154.1 |
| Printing & publishing | 1,583 | 6,901 | 336.1 |
| Chemical products | 7,640 | 33,069 | 332.8 |
| Refined petroleum products | 0 | 214 | + |
| Rubber & plastic products | 15,221 | 26,227 | 72.3 |
| Leather products | 406 | 1,393 | 243.5 |
| Stone, clay, and glass products | 283 | 1,321 | 366.0 |
| Primary metals | 3,658 | 8,512 | 132.7 |
| Fabricated metal products | 40,114 | 31,553 | -21.3 |
| Industrial machinery & computers | 106,421 | 122,780 | 15.4 |
| Electric & electronic equipment | 43,467 | 96,671 | 122.4 |
| Transportation equipment | 5,372 | 26,179 | 387.4 |
| Scientific & measuring instruments | 16,183 | 51,783 | 220.0 |
| Miscellaneous manufactures | 5,958 | 6,582 | 10.5 |
| Unidentified manufactures | 574 | 6,877 | 1,098.3 |
| Agricultural & livestock products | 7,840 | 4,825 | -38.5 |
| Agricultural products | 2,285 | 279 | -87.8 |
| Livestock & livestock products | 5,555 | 4,546 | -18.2 |
| Other commodities | 1,598 | 5,281 | 230.4 |
| Forestry products | 19 | 91 | 373.3 |
| Fish & other marine products | 0 | 0 | NA |
| Metallic ores & concentrates | 0 | 0 | NA |
| Bituminous coal & lignite | 0 | 3 | + |
| Crude petroleum & natural gas | 0 | 3 | + |
| Nonmetallic minerals | 812 | 1,034 | 27.3 |
| Scrap & waste | 51 | 0 | -100.0 |
| Used merchandise | 453 | 4,020 | 787.8 |
| ***Total Exports for all Industries*** | ***287,730*** | ***512,079*** | ***78%*** |
| ***Industries with gains*** | ***1993-94 gain by 29/30*** | | ***25 of 30*** |

*Source: DoC data*

Among Wisconsin industries exporting to Mexico, the big-winners under NAFTA are:

- chemical products (333% increase)
- food products (183%)
- textile mill products (769%)
- lumber and wood (155%)
- paper products (154%)
- electronics/electrical equipment (122%)
- transportation equipment (387%)
- scientific and measuring instruments (220%)
- stone, clay, and glass products (366%)

These industries represent millions of dollars in annual Wisconsin exports to Mexico, supporting thousands of jobs throughout the state. Such big gains are good for the Wisconsin economy. Moreover, the aforementioned are among the state's largest exporting industries. One key industry is paper products, which saw its exports rise by two-and-a-half times (154%) to $27 million in 1998. Wisconsin is said to be the largest paper supplier to Mexico, meaning that such a large increase is good news.

The largest sector — industrial machinery and computers — saw a modest 15% increase in exports to Mexico. The only negative news is a 21% drop in the export of fabricated metal products. Following an impressive 11% rise in exports after NAFTA's first full year, this sector suffered a notable drop amidst the 1995 Mexican recession.

Even where a slight amount of bad news exists, good news still ultimately prevails. For instance, the unimpressive exports to Mexico in the area of fabricated metals and industrial machinery/computers were made up by proportionately larger gains in those sectors in their exports to the other NAFTA country, Canada (see Table 11).

Based on knowledge of Wisconsin industry, it is not surprising that these industries have performed well under NAFTA. In particular, gains were predictable for industries like glass, paper, transportation equipment, and electrical components, among others. For example, in the transportation-equipment sector, there are a number of key Wisconsin companies supplying parts to the auto industry, including wire harnesses that go under dashboards, injection molds, seats. The entire Suburban vehicle is made in the state.

## Conclusion/Summary

This study examined the five-year effect of NAFTA on Wisconsin. It is imperative to put Wisconsin's exports into perspective. Exports account for only about 6% of gross state product. As a result, while export rises are not insignificant and do matter, they also do not drive the state's economy, nor are they a life-or-death component to the state's overall economic health. That said, the impact of NAFTA on Wisconsin has been helpful, contributing billions of dollars. It is probably most accurate to assert that NAFTA has had a moderately positive effect on Wisconsin's economy as a whole, while being remarkably beneficial to the state's export sector in particular.

Critics of the trade agreement in Wisconsin will face a very difficult time finding evidence for their arguments. They'll be forced to ignore volumes of data. This report provides 20-plus pages of data and analysis. Some of the most important findings are listed in the Key Findings at the beginning of the report. Here, too, highlights are reiterated, albeit in a more lengthy fashion. The following are among the report's more notable highlights.

It's difficult to overestimate the importance of Canada and Mexico to Wisconsin's export base. Over 40% of Wisconsin's $9.2 billion in total 1998 exports went to Canada and Mexico, including $3.5 billion to Canada. Canada is by far Wisconsin's largest market — buying 38% of all the state's exports. Mexico is its fourth largest export market, buying $512 million in exports. More impressive, over half of Wisconsin's total $3.4 billion export gain since NAFTA began went to Mexico and Canada. Stated differently, Wisconsin's exports to just two of the globe's 170-plus nations made up over half its rise in exports since NAFTA began. Thus, one could argue that the overall gain in Wisconsin exports over the past five years was driven by surging exports to the two NAFTA countries.

Another finding is especially impressive: As a result of recent trade flows, Mexico and Canada are now among the most dependable export markets for Wisconsin. From 1997 to 1998, for example, among its top 7 export markets, Wisconsin saw a rise in exports only to Mexico and Canada. Moreover, those rises were at double-digit levels, increasing 20% to Mexico and 12% to Canada. Among the state's top 18 export markets, Mexico and Canada were two of only three that saw a double-digit increase. Wisconsin's 20% increase in exports to Mexico from 1997-98 ranks first among the state's top 13 export partners, second among the top 14, third among the top 23, and fourth among the top 42.

The immediate positive impact of NAFTA must be asserted and appreciated. According to DoC, Wisconsin's exports to Canada and Mexico have boomed, with first-year jumps of 25% and 43%, respectively. MISER shows a 45% first-year rise to Mexico compared to 11% for exports to non-NAFTA nations. These jumps are significant, since critics may argue that the rise in state exports to the NAFTA counties is inevitable over a five-year period. Yet, the gains were immediate. Exports to each country increased by at least double digits all but one year. Five years after NAFTA (1998), Wisconsin's annual exports to Canada were $1.5 billion higher than before NAFTA (1993) — a gain of 77.6%. Its exports to Mexico increased by $224 million — a near equal gain of 78.0%. Wisconsin has seen a cumulative gain of $5.3 billion in exports under NAFTA.

Moreover, among the most powerful barometers of NAFTA's success is the comparison of gains in state exports to NAFTA nations measured against non-NAFTA nations. Overall, according to DoC, since NAFTA started, Wisconsin's gain in exports to non-NAFTA nations is 47% compared to a 78% gain to the NAFTA nations. More so than the DoC data, the MISER data show that exports to the NAFTA nations well outpaced the rise to non-NAFTA nations, by a margin of 64% to 24%. This said, both sources of data (DoC and MISER) reflect a critical point that must be emphasized and understood: *the growth in Wisconsin exports to Mexico and Canada under NAFTA was not part of an overall general surge in Wisconsin exports to all countries — quite the contrary.*

Aside from state-level data, this report identified impressive findings at the regional level.

As noted, among all metro regions in the United States, the Kenosha area is statistically among the greatest NAFTA successes. It saw the largest percent growth in overall exports among all U.S. regions for 1997-98, rising 143%. The rise was fueled by NAFTA exports, which made a near five-fold jump for 1997-98 for the Kenosha area. *Amazingly, Kenosha exports to non-NAFTA nations over the period actually declined 3.1%*. Overall, under NAFTA, Kenosha's combined exports to Mexico and Canada increased by a staggering 745%. This jump was led by Kenosha exports to Canada, which increased 827% under NAFTA. This rate far surpasses the 77% export rise to non-NAFTA nations since NAFTA was implemented. Moreover, the Kenosha exports to Canada are even more astounding considering that Canada is the Kenosha area's largest foreign market. Thus, the huge gain wasn't facilitated by a small initial baseline. Some may criticize this finding by asserting that this jump was driven by one or a handful of companies. This may or may not be true. The Department of Commerce is not permitted to divulge information on individual company exports, meaning we cannot confirm this. Either way, this should not deflect from Kenosha's impressive gain. Consider that most regions with major gains are benefiting from a big gain by one or a handful of firms.

Among other regions, Green Bay's exports to Mexico more than doubled with a 126% rise, well beyond the 72% export rise to non-NAFTA nations. Madison increased exports to Canada by 122% — three times higher than its increase to non-NAFTA nations over the same period — and to Mexico by 207%, five times faster. Racine exports to Mexico increased 148%, almost five times its rise to non-NAFTA nations. The Sheboygan area saw a 119% jump in its exports to Mexico and Canada, compared to a modest 17% rise to the rest of the world. Wausau's exports to Mexico increased by 67%, almost triple its 24% rise in exports to the non-NAFTA nations.

Among the best news for Wisconsin — among regions and as a whole — is the data from the Milwaukee-Waukesha region, which itself provides 40% of state exports. Mexico and Canada now make up 36% of Milwaukee-Waukesha's overall exports; they matter to Wisconsin's economy. Prior to NAFTA, the region exported $756 million worth of products and services to Mexico and Canada. Since then, it has increased its exports to the NAFTA nations by 78%, near double its rate to non-NAFTA nations. The region now exports $1.35 billion to the two nations, an added $589 million per year.

On the negative side, there are a number of companies and workers who claim injury as a result of NAFTA. This is reflected in the number of workers certified as hurt by the trade accord. In total, at least 48 Wisconsin companies and 1,622 workers were certified. (Note: a certification does not always mean a job loss.) The Wisconsin region with the largest number of certified workers is Milwaukee-Waukesha, containing 1,046 certifications. The region is among the 20 MSAs (metropolitan statistical areas) containing at least 500 NAFTA TAA certified workers. Milwaukee-Waukesha has the 10th largest number of certifications among all MSAs in the United States. These workers were affected by both Mexican and Canadian competition.

Yet, this loss is made up by the boom in exports within that same region and elsewhere in the state. The heightened exports in Milwaukee-Waukesha under NAFTA has spawned at least 10,000 new jobs in that region alone. In total, according to the Department of Commerce, 79,845 jobs have been gained in Wisconsin as a result of the new

$5.3 billion in cumulative exports to Mexico and Canada under NAFTA, far outgaining job losses that may have been caused by the trade agreement.

A number of Wisconsin companies — from small to middle-sized to large — seem to have been helped by NAFTA, including Miller Brewing, Case Corporation, Meinert Market, Bucyrus International, Greenheck Fan, and others. A representative from Meinert Market says: "NAFTA has helped quite a bit." Greenheck's international sales manager notes, "For us, NAFTA works." He cites an increase in revenues in Mexico from "little or nothing" to $3 million.

NAFTA critics will also be in trouble if they attempt to argue that the gains have been confined to a select or small number of industries. This is not reality. Wisconsin's NAFTA success is broad based. Literally almost every industry, 29 of 30, or 97%, increased exports to Mexico by NAFTA's first year. The overall rise from 1993 to 1998 is extraordinary. From 1993 to 1998, 19 of the state's 30 industries (63%) increased their exports by percentages of three to four digits, including 14 that tripled their exports. Of these, 11 industries — near 40% — at least quadrupled exports. Four saw increases of 769% or higher, including two that exceeded 1,000%.

Among industries exporting to Mexico, winners include: food products (183% increase), glass (366%), chemical products (333%), textile products (769%), paper products (154%), electronics/electrical equipment (122%), transportation equipment (387%), and scientific/measuring instruments (220%). These industries represent millions of dollars in annual Wisconsin exports, supporting thousands of jobs. One key industry is paper products, which saw its exports rise by two-and-a-half times (154%) to $27 million in 1998. Wisconsin is said to be the largest paper supplier to Mexico, meaning that such a large increase is good news.

High as these figures are, they would almost certainly be even higher if not for the 1995 Mexican recession, which had a devastating short-term impact on Wisconsin's exports to Mexico, as exports dropped by 25%. In fact, considering the 1995 recession, it's impressive that Wisconsin's exports to Mexico rebounded so strongly in 1996 and continued to flourish through 1998. Following the 1995 dip, these exports quickly resumed an annual pace of double-digit increases.

This same broad-based industry growth is seen on the Wisconsin-Canada side. After NAFTA's first year, of the 32 Wisconsin industries that export to Canada, 25 increased exports — near 80%. Overall, from 1993 to 1998, 28 of 32 — almost 90% of industries exporting to Canada — experienced heightened exports. Of those 28, 22 saw double-digit increases, and nine of the 28 witnessed increases well exceeding 90%. Included in that 90% category are some of the largest sectors in the state, including: industrial machinery and computers (95% increase); scientific and measuring equipment (147%); transportation equipment (159%); and electronics and electrical equipment (117%). Another important gainer was paper products, which saw a 41% rise in exports to Canada.

Of these, industrial machinery and computers is the largest exporting sector to Canada. This industry nearly doubled its exports, hitting almost $1.3 billion. Notably, this sector by itself comprises over one third of all Wisconsin exports to Canada. Moreover, the sector by itself comprises 14% of all Wisconsin exports anywhere — nearly one seventh. Thus, it's very important that this major sector saw a big jump in exports under NAFTA.

This study aimed to include both positives and negatives, with the intent of providing an accurate assessment of NAFTA's impact on Wisconsin. Fortunately, it found far more positives than negatives. Still, many NAFTA critics — from Ross Perot to Pat Buchanan to any labor union — will use the NAFTA TAA figures to construct "cost-benefit" analyses that exclude benefits. This is to be expected, and is too bad.

This report sought to weigh all the evidence — pro and con. As the data show, NAFTA has had a positive impact on Wisconsin. It has been a boon to the state's export base. There has been no giant sucking sound in the state. The only sucking sound is the sound of air being deflated from the arguments of NAFTA critics.

## NOTES

**1.** Information provided by Arthur Humphrey, national sales manager for Mexico, Heinz Co., April 28, 1997.

**2.** Juan R. Espana, "Impact of the North American Free Trade Agreement (NAFTA) on U.S.-Mexican Trade and Investment Flows," *Business Economics*, July 1993, pp. 41-7.

**3**. Beth V. Yarbrough and Robert M. Yarbrough, *The World Economy: Trade and Finance*, third edition (Orlando, FL: Harcourt Brace College Publishers, 1994), p. 430.

**4.** For an overview of many of these studies, see: "Economy-Wide Modeling of the Economic Effects of a FTA with Mexico and a NAFTA with Canada and Mexico," USITC Publication 2516, United States International Trade Commission, May 1992. Among the more well-known studies, see: G.C. Hufbauer and J.J. Schott, "North American Free Trade: Issues and Recommendations," Institute for International Economics, Washington, DC, 1992; U.S. Department of Labor, "Industrial Effects of a Free Trade Agreement between Mexico and the USA," Washington, DC, September 15, 1990; KPMG Peat Marwick, "Analysis of Economic Effects of a Free Trade Agreement Between the United States and Mexico," U.S. Council of the Mexico-U.S. Business Committee, Washington, DC, 1991; R. Hinojosa and S. Robinson, "Alternative Scenarios of U.S.-Mexico Integration: A Computational General-Equilibrium Approach," Working Papers 609, University of California, Department of Agricultural and Resource Economics, 1991; R.K. McCleery and C.W. Reynolds, "A Study of the Impact of a U.S.-Mexico Free Trade Agreement on Medium-Term Employment, Wages, and Production in the United States," Stanford University, 1991; "Economy-Wide Modeling of the Economic Effects of a FTA with Mexico and a NAFTA with Canada and Mexico," USITC Publication 2516, United States International Trade Commission, May 1992; and U.S. International Trade Commission Memorandum, March 8, 1991.

**5.** Michael A. Kouparitsas, "A dynamic macroeconomic analysis of NAFTA," *Economic Perspectives*, Federal Reserve Bank of Chicago, January 1997. Also see: Sydney Weintraub, "NAFTA at Three: A Progress Report", *Significant Issues Series*, Vol. XIX, No. 1, Center for Strategic and International Studies, Washington, DC, 1997.

**6.** John Sweeney, "NAFTA's Three-Year Report Card: An 'A' for North America's Economy," *The Heritage Foundation: Backgrounder*, No. 1117, May 16, 1997.

**7.** A common criticism is that NAFTA has led to higher trade deficits with Canada and Mexico. In fact, the United States has had trade deficits with both nations on and off for many years prior to NAFTA. For instance, America had a trade deficit with Mexico in 1990, which swung to a surplus from 1991 through 1994. It fell to a deficit during the Mexican recession of 1995 and stayed at deficit throughout 1996, before heading toward surplus again in 1997. Also, it is debatable as to whether a trade deficit is economically unhealthy for a nation.

**8.** Most studies will show a dip in exports to Mexico from 1994 to 1995 due to the severity of the Mexican recession and peso crisis that occurred that year. The dip rebounds in 1996.

**9.** Helene Cooper, "Experts' View of NAFTA's Economic Impact: It's a Wash," *The Wall Street Journal*, June 17, 1997, p. A20.

**10.** Charlene Barshefsky, "Yes, NAFTA is good for America," *Pittsburgh Post-Gazette*, June 22, 1997, p. B4.

**11.** "Critics say NAFTA has cost 420,000 jobs," *Associated Press*, June 27, 1997.

**12.** Raul Hinojosa and Goetz Wolff, *North American Integration Three Years After NAFTA: the National and Regional Labor Market Impacts*, UCLA's North American Integration and Development Center, December 1996; and Sara Silver, "Job impact of NAFTA negligible, study says," *Associated Press*, December 20, 1996.

**13.** Cooper, "Experts' View of NAFTA…"

**14.** Donald Lambro, "NAFTA Success Saga Beyond Expectations," *Washington Times*, June 2, 1997; and "NAFTA at Five," *Dallas Morning News*, January 4, 1999.

**15.** See: The Trade Partnership, "The Impact of the North American Free Trade Agreement on Pennsylvania," Prepared for the U.S. Council of the Mexico-U.S. Business Committee, Washington, DC, September 1992; and Systems Synthesis Project, "NAFTA: A Regional Impact Study for Southwestern Pennsylvania," Carnegie Mellon University, H.J. Heinz School of Public Policy and Management, April 1994, pp. 112-13.

**16.** Paul Kengor, "The Three-Year Effect of NAFTA on Pennsylvania and the Pittsburgh Region," Allegheny Institute for Public Policy, Allegheny Institute Report #97-08, July 1997. Also see: Paul Kengor, "NAFTA: Its Early Effect on Pennsylvania and the Pittsburgh-SWPA Region," *Economic Development Commentary*, Vol. 20, No. 3, Fall 1996, pp. 24-30.

**17**. The state's first-year increase in exports to Mexico made the nation the second largest market for Pennsylvania products, hitting $854 million in 1994 and surpassing Japan and the United Kingdom.

**18.** The author was the sole author or co-author in each of these studies.

**19.** Bill Richards, "Layoffs Not Related To Nafta Can Trigger Special Help Anyway," *The Wall Street Journa*l, June 30, 1997, p. A1.

**20**. Interview with Reidbord Bros. official who requested anonymity, May 5, 1997.

**21.** Cesca Antonelli, "Uncommon adjustment," *Pittsburgh Business Times*, November 14-20, 1997, pp. 1 and 47.

**22.** The author found this same pattern of notable losses vs. much larger gains, including with the #1 MSA on the list – the El Paso region. Ironically, the El Paso region has doubled its exports to Mexico, selling an added $2.6 billion. The region gained over 49,000 jobs under NAFTA.

**23.** Information provided by Dan Bond, Wisconsin Department of Workforce Development, March 16-17, 2000.

**24.** Interviews with companies were conducted by telephone March 1-10, 2000.

**25.** "Wisconsin-Mexico Success Stories," Embassy of Mexico. Accessible at www.naftaworks.org.

**26.** *Dow Jones*, September 23, 1997.

**27.** *Business Wire*, March 20, 1997.

**28.** *Business Wire*, February 13, 1997.

**29.** *Business Wire*, May 26, 1999.

**30.** *PR Newswire*, January 24, 1997.

**31.** *Business Wire*, January 23, 1997.

**32**. *Kohler Company press release*, January 20, 1997.

**33.** *Trade and Industry*, January 8, 1997.

**34.** *The Journal of Commerce*, October 1, 1996.

**35.** *North American Free Trade & Investment Report*, July 31, 1996.

**36.** The U.S. Census Bureau issues two principal data sets that provide merchandise export statistics for sub-national (*i.e.*, state and regional) jurisdictions. They are the Exporter Location (EL) series and the Origin of Movement (OM) series. The EL series is referred to in this document as the "DoC" data. The OM series is known as the "MISER" data. The EL series is more new. The EL data allocates exports according to the physical location of exporters — *i.e.*, it typically traces the export initiative to the point of sale. The EL series is based on the exact data recorded on U.S. export declarations. A problem with such data is that the exporter of record is not always the producer of the good being sold. The exporter of record is often a wholesaler, retailer, broker, or other intermediary — it can even be a foreign buyer. The exporter of record might also be the administrative branch office of the manufacturer, but one located in a state different from the branch that actually produced the goods. The EL series therefore may at times be more of an indicator of marketing activity than export production — but not necessarily: About three-quarters of merchandise exports are produced by manufacturers who do their own exporting. As an actual example, consider two companies — Lasermedics (Sugar Land, Texas) and MD International (Miami, FL). Lasermedics produces lasers for medical purposes. It distributes its products to Latin America via MD International. MD International is an exporter/supplier of medical equipment to Latin America. Thus, a Lasermedics product sold abroad but exported via MD International would be credited as a "Florida export" by EL (DoC) data. That same product would be considered a "Texas export" by the OM (MISER) data.

**37.** For instance, in an interview with the *Detroit Free Press*, the Mexican ambassador to the United States, Jesus Reyes-Heroles, stated that NAFTA has led to a six-fold increase in exports from Michigan to Mexico since 1993. He was using MISER data but not mentioning a much smaller increase noted by DoC data. John Gallagher, "NAFTA Results Lauded," *Detroit Free Press*, May 6, 1999.

**38.** The source for all of this data is the U.S. Census Bureau, Exporter Location Series. It is prepared by the Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce. This data is herein referred to as "DoC data."

**39.** "Metropolitan Area Exports: An Export Performance Report On Over 250 U.S. Cities," U.S. Department of Commerce, International Trade Administration, Office of Trade and Economic Analysis, November 1999, p. 15.

**40.** Unfortunately, DoC is not permitted to disclose information on which company/companies in the Kenosha region – or any region – is/are responsible for this export increase.

**41.** At varying times, DoC has used the figure of 19,000 jobs and sometimes 20,000 jobs. Most recently, it has downgraded the estimate to 15,000 jobs.

**42.** Also, the first-year increases mitigate the argument that the five-year increases are partly attributable to inflation, since the export data provided by the Department of Commerce is not adjusted for inflation.

# About the Institute

The **Wisconsin Policy Research Institute** is a not-for-profit institute established to study public-policy issues affecting the state of Wisconsin.

Under the new federalism, government policy increasingly is made at the state and local levels. These public-policy decisions affect the life of every citizen in the state. Our goal is to provide nonpartisan research on key issues affecting Wisconsinites, so that their elected representatives can make informed decisions to improve the quality of life and future of the state.

Our major priority is to increase the accountability of Wisconsin's government. State and local governments must be responsive to the citizenry, both in terms of the programs they devise and the tax money they spend. Accountability should apply in every area to which the state devotes the public's funds.

The Institute's agenda encompasses the following issues: education, welfare and social services, criminal justice, taxes and spending, and economic development.

We believe that the views of the citizens of Wisconsin should guide the decisions of government officials. To help accomplish this, we also conduct regular public-opinion polls that are designed to inform public officials about how the citizenry views major statewide issues. These polls are disseminated through the media and are made available to the general public and the legislative and executive branches of state government. It is essential that elected officials remember that all of the programs they create and all of the money they spend comes from the citizens of Wisconsin and is made available through their taxes. Public policy should reflect the real needs and concerns of all of the citizens of the state and not those of specific special-interest groups.