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FREE TRADE DRIVES THE AUTO INDUSTRY

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The auto industry has cut several thousand jobs over the past year, and protectionists have been quick to blame trade for these job losses. They are wrong. Far from eliminating jobs, trade has caused the auto industry to grow. Without the North American Free Trade Agreement (NAFTA), U.S. exports to Canada and Mexico would not have experienced the significant growth that has come about in the past few years.

Protectionists, however, continue to deny the very reason for this prosperity: free trade. Representative David Bonior (D–MI), for example, in a July 27 speech, stated that "Since NAFTA, factories have moved to Mexico to take advantage of cheap labor and lax environmental standards." Free trade has been blamed for job losses, plant closures, and corporate downsizing. The available data, however, disprove these assertions.

According to data from the *Automotive News Market Data Book*, the majority of American cars and trucks are built on American soil. General Motors Corporation produced over 8 million vehicles in 2000, only 444,000 of which were manufactured in Mexico. Likewise, the Ford Motor Company produced over 7 million vehicles in 2000, and only 280,000 of them were manufactured in Mexico. DaimlerChrysler produced over 4 million vehicles in 2000, and only 404,000 of them were manufactured in Mexico.

Representative Bonior has said that people should "Talk to the hundreds of thousands of people who've lost their jobs because of NAFTA." But former Chrysler President Robert Eaton has stated that no American automakers have laid off employees because of NAFTA. In fact, according to Bureau of Labor Statistics data, the measured unemployment rate for those who report unemployment in the U.S. automotive industry has been consistently lower than the overall national rate of unemployment since 1993. The 1999 data reveal that the national unemployment rate was 4.2 percent compared with only 2.9 percent in the automotive industry.

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Additionally, the data reveal that employment in the auto industry has actually increased since NAFTA was implemented. In 1998, the average number of annual production-worker jobs in the vehicle sector was 11 percent greater than in 1993; in the parts sector, the number was 17 percent greater.

Ford's recent job cuts can be ascribed to such factors as increased efficiency, several major recalls, and the need for spending cuts. In response to the recent job cuts, a Ford spokesman told the Associated Press that "we've become much more efficient and the jobs

are not needed anymore." DaimlerChrysler cut 20 percent of its U.S. white-collar workforce last year and earlier this year through early retirement packages. General Motors not only cut 10 percent of its workforce, but is eliminating the oldest marque in the U.S. auto industry, Oldsmobile, in an effort to cut costs and realign vehicle sales. Such cuts by the major automakers cannot be attributed to trade.

Regrettably, it has become fashionable to blame trade for a host of problems that it has not created and, in fact, at times has helped solve. Foreign companies clearly benefit from the open American market, just as American companies benefit from overseas sales. Americans who choose to purchase a domestic vehicle benefit from the technology and savings that foreign competition has encouraged.

While critics may claim that the American market is being overrun by foreign competition, the truth remains that American carmakers continue to dominate the domestic market. General Motors still has the largest single share of the U.S. car and light truck market. GM has nearly 28 percent of the market, and Ford has over 22 percent. The U.S. Department of Commerce reports that the automotive industry is the world's largest manufacturing sector and the United States is the industry's largest producer.

In 2000, according to the Department of Commerce, total U.S. automotive exports exceeded $78 billion. In 1988, U.S. exports of vehicles and automotive parts were only $33.4 billion. Thanks to NAFTA, Mexico is the second largest export market for U.S. automotive parts. Before NAFTA, heavy regulations constrained U.S. exports to Mexico. According to a report on NAFTA by the Council of the Americas, exports of U.S. motor vehicles to Mexico have increased over 1,085 percent since 1993 and reached almost $2 billion in 1997.

American automakers have prospered as a result of past trade agreements. Under the Uruguay Round, for example, Japan agreed to lower almost all of its automotive tariffs to zero and maintain them at that level. Future trade agreements are desperately needed to combat the high tariffs that U.S. exports are encountering. The Department of Commerce reports that tariffs on automobiles are extremely high in most developing countries. In Southeast Asia, for instance, tariffs range from 25 percent to 300 percent. A tariff that is 300 percent will triple the cost of the vehicle to consumers, thus persuading them to look elsewhere. Additionally, American autos face high tariffs in Eastern Europe while the European Union has duty-free access under bilateral trade agreements.

Lowering tariffs and non-tariff barriers will increase U.S. automotive exports. Increased exports mean more sales and a larger piece of the global automotive pie for the United States. A larger share of this global market means more choices and higher-paying jobs for American workers.

Free trade has not diminished U.S. dominance in the global automotive market, nor has it taken "hundreds of thousands" of jobs from American workers. The United States continues to have the lion's share of the global market. Advancing free trade not only will maintain this share, but will increase it.

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