Trade and Race

Effects of NAFTA 2.0 and Other Low-Road Approaches to Trade on Black Communities

By Daniella Zessoules June 18, 2019

Author's note: CAP uses “Black” and “African American” interchangeably throughout many of our products. We chose to capitalize “Black” in order to reflect that we are discussing a group of people and to be consistent with the capitalization of “African American.”

Trade policy has played and will continue to play a prominent role in forming or curtailing economic opportunity for America’s diverse working class. Unfortunately, President Donald Trump’s renegotiated North American Free Trade Agreement (NAFTA)—the United States-Mexico-Canada Agreement (USMCA)—does not do enough to consider the needs of working Americans. Among other oversights, Trump’s trade deal lacks certain and swift labor enforcement provisions, fails to mention climate change, and locks in high drug prices for pharmaceutical companies. The proposed trade agreement serves as yet another example of corporate handouts to the very people squeezing the working class and securing greater profits and power for the wealthiest few. Moreover, President Trump’s deal fails to consider the unique needs and concerns of workers of color, continuing a long trend in the trade policy sphere. While race is rarely the focal point of policy debates regarding globalization and trade in the United States, people of color—particularly Black people—are far more prevalent than commonly appreciated in the sectors that are hurt most by trade. Additionally, systemic economic and social inequities along racial lines can intensify the effects of trade dislocations, increasing the need for racially conscious trade policies.

Importantly, the pains associated with the rules governing trade are compounded by the broader, overwhelming economic barriers that Black people face. Existing racial inequities make job loss disproportionately damaging for Black people in the United States. All the while, current and past administrations have failed to put Black people front and center in the debate over the myriad effects of trade and globalization.

Black people comprise a significant portion of U.S. manufacturing workers, including in certain geographic areas that are most exposed to trade flows. In certain industries, including automobile manufacturing, Black people are overrepresented...
compared with their share of manufacturing workers overall. For example, though Black people represent 12.3 percent of manufacturing workers overall, they comprise 16.7 percent of motor vehicle and motor vehicle equipment manufacturers and 17.4 percent of tire manufacturers—both industries that have been vulnerable to the accelerated growth of auto component production alternatives in other countries. As a result, they have faced pressures in the past few decades. Automation and technological change have played a role in the decline of manufacturing, but trade policy has as well—and the latter offers a clear policy vehicle that could curtail these negatives pressures on segments of the populations that are most vulnerable to international trade flows. Unfortunately, President Trump’s USMCA has missed the mark on a critical opportunity to correct mistakes of trade rules past and set high-road standards to fix how trade rules have negatively affected Black communities.

This issue brief looks at the effect of the decline in manufacturing, which is in part due to exposure to globalized trade flows without adequate measures in place to protect workers from adverse consequences. The decline of the manufacturing sector, compounded with other structural issues that disproportionately disadvantage Black people, has significantly harmed Black communities.

Manufacturing and Black communities

Black men and women have been particularly hurt by declines in manufacturing jobs resulting from trade. In many traditional manufacturing industries—ones that have been historically dominated by men—Black men increasingly were able to participate in high-paying jobs during the early and mid-20th century. Thus, when globalization took many of these jobs overseas, Black men were hit especially hard. Compared with their share in the labor force, Black workers are more likely than their white counterparts to be displaced due to trade. When the scope and pace are reasonable, job losses from trade can be made up through other economic policies—but this has not been the case in all regions and communities. Moreover, a serious and lasting consequence of the growth in international trade has been a decline in the manufacturing wage premium enjoyed by U.S. workers.

In addition to other structural labor market factors, including automation and technological change, trade with China also affected Black workers. Although the share of Black workers displaced by China trade is slightly less than the overall average share of Black workers in the labor force, the jobs from which they were displaced were good ones. In addition to the wage premium, the manufacturing sector has historically been a stronghold for union organizing, with disproportionately higher unionization rates than in private, nonmanufacturing jobs. Black union workers have higher wages and better access to health and retirement benefits than their nonunion peers. Furthermore, manufacturing provided more jobs for high school-
educated workers than did other sectors of the economy, making jobs in this industry some of the best available for Black and Hispanic workers who, on average, have lower levels of educational attainment and wages than their white counterparts.13

**Geographic effects**
The decline in U.S. manufacturing employment—particularly since China’s accession to the World Trade Organization in 2000 and the subsequent influx of low-cost Chinese goods and outflow of some manufacturing jobs—has hit communities across the United States hard.14 Additionally, although manufacturing as a whole is disproportionately white, this is not the case for all geographic regions.15 Some areas with disproportionately high Black populations—including northern Mississippi, western Tennessee, central regions of Virginia, and cities such as Gary, Indiana, and Youngstown, Ohio—have suffered from job displacement due to what economist David Autor has dubbed “China shock.”16 This term refers to a profound shift in trade patterns across the world and its demonstrated effects on local labor markets, particularly where industries exposed to foreign competition are concentrated.

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**The decline of Detroit’s auto industry**

Cities such as Detroit have been especially hurt by the auto industry’s decline, and the city’s economic pains were intensified by the Great Recession.17 A 2015 study by Reynolds Farley of the University of Michigan looked at Detroit’s history of racial conflict in the context of the Black middle class and the importance of the manufacturing sector.18 In the mid-20th century, manufacturing secured key good jobs that sustained a financially secure Black middle class in Detroit. By 1950, the city’s Black community was the most prosperous in the nation, as measured by earnings and family income.

Though manufacturing employment in Detroit plummeted across all races during the latter half of the 20th century, the Black middle class was more dependent on manufacturing jobs than the white middle class. Slightly less than one-third of all Black employed individuals worked for manufacturers—a rate about double that of white workers—making the disappearance of these jobs particularly devastating to this group.

The study found that from 1970 through 2013, the number of Black manufacturing, transportation, utilities, and construction workers employed in the city fell by nearly half, from 102,000 to 53,000 Black men. Furthermore, the study found that these workers’ average earnings fell by almost $7,000 during the same time period. Ultimately, these labor market shifts, including the dramatic fall in manufacturing in Detroit—a sector that largely supported the Black middle class—played a role in Detroit’s bankruptcy and the fate of the city.
Automation and technological change

Automation and technological change have also had a steady, negative effect on manufacturing employment in the United States since the late 1970s. Over the past several decades, process improvements and automation have transformed workplaces and contributed to a decline in the share of manufacturing employees in the United States. Technology—including computers and the internet—has become more prevalent and less costly across the United States, increasing the productivity of each manufacturing worker and therefore allowing manufacturing firms to produce larger quantities of goods with fewer, more productive workers. Though access to technology can make some workers more valuable, others are left less well off; for example, ATMs have replaced tellers, and computers and voicemail have replaced many secretaries.

Moreover, globalization and the inadequate global rules of trade further intensified this decline in manufacturing jobs, resultantly putting additional negative employment and wage pressures on workers—pressures that have been compounded by the existing systemic inequities that disadvantage Black workers in the U.S. labor market.

Employment, unionization, and wage effects

According to a 2018 study looking at the impact of manufacturing employment on Black and white Americans from 1960 through 2010, the decline in manufacturing contributed to a 12 percent overall increase in the racial wage gap for men, as well as increases in other socio-economic gaps in the Black community. Because the manufacturing sector provided high-paying jobs to less-educated men, and given that Black Americans generally had lower levels of educational attainment than their white counterparts, the Black population stood to gain more from manufacturing jobs. Thus, the decline in U.S. manufacturing had a disproportionally negative effect on Black workers. The study concluded that despite the legislative successes of the civil rights movement in the 1960s and steady improvement in the educational outcomes of Black students, racial wage and employment gaps have not improved and, in many cases, have widened. Other research has emphasized this point, finding that increased import competition with Japan played a sizable role in the economic hardships experienced by Black communities in the 1970s and 1980s. The increase in import exposure decreased manufacturing employment, increased labor force nonparticipation, and decreased median household earnings for Black men, stalling economic progress for Black communities during this time period.

Another recent analysis from the Institute of Labor Economics examined the effects of this decline in manufacturing employment, identifying “a significant deterioration in socio-economic outcomes for whites and Blacks, higher inequality within each group, and larger racial gaps.” Black workers have also faced a consistent and widening wage gap within the manufacturing sector; in fact, from 1979 through 2015, the difference between wages of Black and white workers within the industry increased by more than 3 percent. All the while, policies that have proven to help shrink this systematic divide have been under steady attack.
The decline of unionization is a complex story. For far too long, Black workers were systematically excluded from jobs and industries that often coincided with unionization and higher wages. At its passage, the National Labor Relations Act of 1935, or the Wagner Act, excluded agricultural and domestic workers—who were and are predominantly people of color—and initially did not include language prohibiting unions from discriminating based on race. Consequently, what should have been a golden ticket to economic opportunity—a union job in a manufacturing community—slipped out of reach for many workers of color.

As Black workers moved to the industrializing North during the early to mid-20th century, they fought to integrate the unionized manufacturing industry. During World War II, the Roosevelt administration bolstered these efforts by requiring defense contractors to prevent racial discrimination and to respect workers’ bargaining rights. In addition, in 1944, the U.S. Supreme Court issued a landmark ruling that required unions to represent all workers on the job without racial discrimination. As a result, empirical evidence shows that the advantage in union membership that white households held in the 1940s began to disappear during the war period.

Today, Black workers are more likely than workers of other races to be unionized—a characteristic that typically leads to better wages—and Black workers in unions receive higher wages and better benefits than Black workers who are not in unions. It is also true that Black union workers today are more likely to be older, female, more educated, and working in the public sector than they were in the early 1980s. Yet, unionization rates among Black workers have fallen dramatically due to a changing U.S. economy and efforts by conservative and corporate interest groups to weaken organized labor over the past several decades. In 1983, 31.7 percent of Black workers were represented by a union, compared with just 13.8 percent of Black workers in 2018. This decline in unionization goes hand in hand with a decreasing share of income going to the middle class, putting even more pressure on groups who have historically lagged behind.
Infrastructure crisis in Flint, Michigan

A 2016 report from the Alliance for American Manufacturing underscored the need to center communities of color in the trade debate. It found that deindustrialization has had a devastating, broad effect on Black workers, families, and communities, pointing to the case of Flint, Michigan, as an example.

As of 2006, the city of Flint had lost tens of thousands of manufacturing jobs, largely due to the steady decline of its auto industry. In 2011, the negative economic effects on Flint were so profound that then-Michigan Governor Rick Snyder (R) declared a state of fiscal emergency. To save money, government officials began drawing the city’s water from the Flint River, rather than from the Detroit River or Lake Huron. The water from the Flint River was polluted and reacted badly with the pipes that brought water into the city, introducing toxic levels of lead into the water supply. Some reports maintain that deindustrialization—including decades of plant closures and layoffs that eviscerated Flint’s tax base—ultimately eroded the city’s infrastructure, which in turn jeopardized the health of thousands of Flint’s residents.

Officially, 12 people died and 90 were sickened from Legionnaires’ disease—a severe form of pneumonia caused by Legionella bacteria found in Flint’s drinking water—though it remains unclear how many children will face mental development issues due to the exposure to high levels of lead. Five years later, Flint residents still do not have certain access to clean water.

Temporary workers in manufacturing

Furthermore, the use of temporary workers, or temps, in industries such as manufacturing is growing. A growing body of research shows that temporary work arrangements are lowering wages and standards for manufacturing workers—especially for Black workers, who comprise 26 percent of the temp workforce compared with just 12.1 percent of the overall workforce. One study shows that higher-wage manufacturing plants use fewer temporary workers and that unionization rates negatively correlate with a manufacturing plant’s use of temporary workers. In some instances, temp agencies have even enabled companies to unlawfully discriminate in hiring. A 2016 investigation of temp agencies found that worksite employers and their temp agencies discriminated against Black and female job applicants. Such arrangements have increasingly allowed companies to divide workers’ collective power and ultimately drive down wages as businesses are motivated to minimize labor costs and liabilities.
NAFTA 2.0 and the road not taken

Trade policy offers an avenue through which policymakers can either exacerbate or counter the negative effects of job dislocation on employment and workers’ wages—particularly for Black workers—that arise from integrating lower-wage workers into the global economy. Without robust labor and environmental standards and enforcement, as well as other government investment strategies, globalization and trade will continue to exert this predictable downward pressure on wages and employment among certain populations and regions.

While policymakers have recognized racial justice as a principal progressive priority, they have largely failed to recognize trade’s effect on communities of color. This should spark concern for progressives. As Congress considers new trade deals such as the USMCA that will have lasting effects for decades to come, progressives should keep in mind what is at stake for communities of color—including, but not limited to, Black people—who already face disproportionate economic and socio-economic hurdles.

Trump’s trade deal will have devastating effects on Black Americans’ health

Among other problematic aspects, President Trump’s proposed trade deal locks in high prescription drug prices for Big Pharma. While higher prescription drug prices hurt everyone, they disproportionately affect Black people who tend to hold much less wealth than white Americans; report significantly worse health conditions across socio-economic status; and are disproportionately uninsured. For this reason, access to prescription medications is an issue of particular importance for Black communities and those who advocate for them.

Trump’s trade deal poses a threat to the environment

President Trump’s proposed deal also fails to include or address environmental injustices and the threats of climate change. Although everyone is harmed by the effects of industrial pollution and climate change, Black people are more likely to live near polluters and breathe polluted air and are thus more likely to be exposed to fine particulate matter—a known carcinogen—than their white counterparts. Moreover, studies show that natural disaster preparation varies by race and that the long-term impacts of disasters disproportionately fall on low-income communities of color, making the centrality of environmental enforcement especially important to Black communities.
Conclusion

Policymakers need to recognize that even though Black communities are hurt most by the lack of environmental standards and expanded monopoly protections for pharmaceutical companies and stand to benefit most from a progressive approach to trade, Black people would not be the sole beneficiaries. A progressive rewrite of the rules governing trade could also function as a comprehensive strategy to support economically competitive, high-road trade policies that would empower a thriving middle class and climate-sustainable growth across nations.

As written, President Trump’s agreement does nothing to mitigate the negative effects of the decline in manufacturing. On the contrary, it omits strong and enforceable provisions that would protect labor rights. Without strong standards and meaningful labor enforcement, the USMCA will simply maintain subminimum wages in Mexico and continue the trend of manufacturing jobs moving overseas; displace American workers; and ultimately inflict the most harm on communities who are already structurally disadvantaged by wider economic challenges.

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4 Across the economy, Black people have consistently faced an unemployment rate double that of their white counterparts. See Janelle Jones, “Despite overall unemployment under 4 percent, black unemployment exceeds 6 percent in 14 states and D.C.” (Washington: Economic Policy Institute, 2018), available at https://www.epi.org/publication/state-race-unemployment-2018q1/. Additionally, the effects of unemployment are not experienced equally across race. A 2018 study found that short-term unemployment was associated with “a more intense adverse mental health effect on members of the black community” than among white people. See Timothy M. Diette and others, “Race, Unemployment, and Mental Health in the USA: What Can We Infer About the Psychological Cost of the Great Recession Across Racial Groups?” Journal of Economics, Race, and Policy 1 (2–3) (2018): 75–91, available at https://link.springer.com/article/10.1007%2Fs41996-018-0012-x. In the United States, Black households face a tremendous wealth gap, owning approximately one-tenth of the wealth of white households. See Hanks, Solomon, and Weller, “Systematic Inequality.” Black people are also more likely to experience negative income shocks — lower income than usual — but are less likely to have access to emergency savings. Furthermore, Black people face persistent discrimination in labor markets. See Lincoln Quillian and others, “Meta-analysis of field experiments shows no change in racial discrimination in hiring over time.” Proceedings of the National Academy of Sciences of the United States of America 114 (41) (2017): 10870–10875, available at https://www.pnas.org/content/114/41/10870. Full. Existing inequities along the lines of race make job loss disproportionately devastating for Black people in the United States.


10 Scott, “The China trade toll.”


21 Ibid.


31 Bucknos, “Black Workers, Unions, and Inequality.”

32 Ibid.


36 Taylor, “Unmade in America.”


53 See Public Citizen, “Analysis of the NAFTA 2.0 Text Relative to the Essential Changes We Have Demanded to Stop NAFTA’s Ongoing Damage” (Washington: 2018), available at https://www.citizen.org/wp-content/uploads/nafta_text_analysis_-_how_the_new_nafta_text_measures_against_the_essential_changes_we_have_demanded_to_stop_naftas_ongoing_damage.pdf; Larsulic, Green, and Zessoules, “Trump’s Trade Deal and the Road Not Taken.”