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MEMORANDUM
TO: Reporters Covering Nike Announcement and Obama Speech
FROM: Lori Wallach, director, Public Citizen's Global Trade Watch
RE: Nike Saying It Might Create "Up To" 10,000 U.S. Jobs Is Small Consolation for TPP's Threat to Offshore Massive Number of American Jobs, Lower Wages Across the Economy
DATE: May 8, 2015

During NAFTA Debate, Major U.S. Firms Also Promised to Create Jobs Here if Pact Passed, Instead Sent Thousands of Jobs Offshore

Nike's stating that accelerating advanced manufacturing research "is expected to lead to the creation of up to" 10,000 U.S. jobs over the next decade – even though it cut 5,500 U.S. manufacturing jobs in the past year – pales in comparison to the U.S. jobs that would be lost under the TPP's offshoring incentives. Nike's job creation claim mimics the broken job creation promises that U.S. corporations made to push the North American Free Trade Agreement (NAFTA) and other past controversial trade pacts. Those corporations then turned around and offshored U.S. jobs after the pacts took effect. (See examples below and a link to a study of these broken corporate job creation promises for NAFTA.)

The American jobs that Nike claims it *aims to* create are a drop in the bucket compared to the massive number of jobs that would be lost nationwide if the TPP were to be enacted. This is because the pact would give companies incentives to send jobs overseas. It's like saying let's take ONE step forward – and 10,000 steps back.

And, the TPP would place downward pressure on American wages across the economy by putting American workers in direct competition with those in Vietnam making less than 60 cents an hour. It would do nothing to raise wages in other TPP countries; while 95 percent of the world's workers may live outside the United States, those living in TPP countries like Vietnam do not make enough to buy American exports.

Just last year alone, Nike cut half the number of American manufacturing jobs it now says it aspires to create over a decade if the TPP is enacted.

And to put Nike's announcement into context, the corporation has *more than a million* workers producing its good overseas – meaning even if all of the "up to" 10,000 jobs it hopes will result from its advanced manufacturing initiative are in manufacturing, only 2 percent of Nike's production would be in the United States. Nike's announcement also gives it a lot of wiggle room; it simply states that speeding up research it is now doing is expected to lead to creation of "*up to*" 10,000 jobs.

We also want to set the record straight: The TPP's labor and environmental standards are the same failed standards as those in President George W. Bush's last trade agreements, NOT new or unprecedented. In 2007, congressional Democrats forced Bush, for the first time, to put labor and environmental standards in the core text of his Peru, Colombia, Panama and Korea pacts. These terms were enforceable through the same process as the pacts' commercial terms. Last year, the U.S. Government Accountability Office (GAO) issued a comprehensive study showing that those terms had failed to improve conditions on the ground in countries where they applied. That's why so many members of Congress who unsuccessfully attempted to convince the Obama administration to strengthen those Bush-era terms for the TPP and who, unlike the public, have seen the agreement's text, oppose Fast Tracking the TPP.

Important Facts:

- **The TPP includes special investor protections that promote the offshoring of American jobs.** The incentives in TPP's investment chapter, which the Cato Institute describes as "lowering the risk premium" on offshoring, make it safe for high-end manufacturing firms, whose production requires major investment, to relocate abroad. The TPP replicates the labor and environmental standards included in President George W. Bush's last trade pacts that, according to the GAO, did not improve conditions on the ground. These standards will do nothing to counter the TPP's promotion of more American job offshoring.

- **Even if Nike created 10,000 jobs here over next decade, this would replace the thousands of U.S. manufacturing jobs Nike cut just in the past year.** Nike's U.S. factories shed more than 5,500 jobs – more than one third of its tiny U.S. manufacturing workforce – in just the past year (from 13,922 workers in April 2014 to 8,408 workers today).

- Even in the unlikely scenario that all of the announced new "manufacturing and engineering" jobs were to materialize, and all were manufacturing jobs rather than white-collar engineering jobs at Nike's corporate headquarters, **Nike would still be 98 percent reliant on offshore production in low-wage countries**. Under this unrealistic best-case scenario of an additional 10,000 U.S. manufacturing jobs, fewer than 2 percent of the more than 1 million workers who make Nike's products would be U.S. workers.

- **TPP tariff cuts have a tenuous relationship to this political announcement: How could TPP tariff cuts significantly affect the speed of Nike's advanced manufacturing research initiative when Nike would save $2.50 on a $100 shoe and $3.30 on a $65 hoodie if the TPP zeroes out all tariffs?** Also, Nike's "announcement" is not news. More than a year ago, Nike's CEO indicated that if the TPP were to take effect, the corporation would use the slim savings in tariff costs to invest in design and engineering at its corporate headquarters. Nike itself reports that tariffs account for just 2.5 percent of the cost of the average pair of Nike shoes purchased by U.S. consumers. If TPP completely phased out tariffs, that means $2.50 per pair of $100 shoes – if they are imported from a TPP nation that does not already have a U.S. free trade agreement. (Thirty-four percent of the employees producing Nike products are in these countries – nearly all of them in low-wage Vietnam.) As with shoes, U.S. tariffs are not applied to the final price of imported clothing paid by consumers, but to the value of the clothes just before they are shipped to the United States, known as the "customs value." For an imported Nike women's cotton blend hoodie

that sells in the United States for $65, only an estimated $21.50 of that is subject to tariffs. At the tariff rate of 15.4 percent, the tariff on the $65 hoodie is about $3.30.

- **Multinational corporations like Nike have consistently broken promises that they would create jobs contingent on a controversial trade pact taking effect.** Indeed, the same corporations promising job creation often have *offshored U.S. jobs* after the pact was implemented. See the chart below for examples of corporations that explicitly promised to create U.S. jobs if NAFTA was enacted, but then turned around and offshored U.S. jobs to Mexico after NAFTA took effect. The track record suggests that Nike's job creation promises should be viewed skeptically.

Some of the Many Broken Corporate Promises to Create Jobs if NAFTA Passed:

Corporation	Promise	Reality
Chrysler	"With the passage of NAFTA, Chrysler is planning to export 25,000 vehicles to Mexico and Canada by 1995 and 80,000 by the year 2000. The sales will support 4,000 U.S. jobs by 1995, including Chrysler employees and U.S. suppliers." "NAFTA: We Need It: How U.S. Companies View Their Business Prospects Under NAFTA," National Association of Manufacturers, November 1993.	Chrysler has eliminated **17,757 U.S. jobs** due to imports or offshoring under NAFTA, including 7,108 job losses explicitly attributed to rising imports from Canada and Mexico or decisions to offshore production to those countries (the remainder of the job losses do not specify the country).
Fruit of the Loom	In a Senate floor speech on November 19, 1993, U.S. Sen. Mitch McConnell (R-Ky.) explained that he would be voting for NAFTA because "American firms will not move to Mexico just for lower wages… without NAFTA, United States firms are more likely to move production to Mexico." He specifically cited Fruit of the Loom, stating, "[C]onsider Fruit of the Loom. This fine Kentucky firm, which is my State's largest private employer, expects to boost sales to Mexico under NAFTA and eventually create 1,000 new jobs."	Fruit of the Loom has eliminated **12,155 U.S. jobs** due to imports or offshoring under NAFTA. That includes 2,936 job losses explicitly attributed to offshoring to Mexico or rising imports from Canada and Mexico (the remainder of the job losses do not specify the country). More than 3,600 of Fruit of the Loom's trade-related layoffs have occurred in Kentucky.
General Electric	"We are looking at another $7.5 billion in potential sales over the next 10 years. These sales could support 10,000 jobs for General Electric and its suppliers. We fervently believe that these jobs depend on the success of this agreement." Michael Gadbaw, General Electric, before the House Foreign Affairs Committee, October 21, 1993.	General Electric has eliminated **11,675 U.S. jobs** due to imports or offshoring under NAFTA, including 6,135 job losses explicitly attributed to rising imports from Canada and Mexico or decisions to offshore production to those countries (the remainder of the job losses do not specify the country).

Caterpillar	"The NAFTA would eliminate the incentive to move operations to Mexico ... U.S. companies would be better able to serve the Mexican market by exporting, rather than by moving production ... Caterpillar estimates NAFTA-mandated tariff reductions – coupled with increased economic growth – would increase demand in Mexico by 250-350 units annually." "The Impact of NAFTA on Illinois," prepared for USA*NAFTA by the Trade Partnership, Washington D.C., June 1993.	Caterpillar has eliminated **3,270 U.S. jobs*** due to imports or offshoring under NAFTA, including 738 job losses explicitly attributed to rising imports from Canada and Mexico or decisions to offshore production to those countries (the remainder of the job losses do not specify the country).

For more, see Public Citizen, "NAFTA's Broken Promises: Failure to Create U.S. Jobs," January 1997, available at: http://www.citizen.org/trade/article_redirect.cfm?ID=1767. See http://www.citizen.org/taadatabase for a list of government-certified trade job loss, searchable by company.