

# Getting it Right:

A people's guide to renegotiating NAFTA



## NAFTA's Impacts on Workers and the Economy

NAFTA promoters often refer to the agreement as a “win-win” for the three countries involved. In reality, NAFTA is a deal that allowed corporations the flexibility to search for the lowest wages and the “win” was almost entirely for corporations. Meanwhile, workers in all three countries lost out. While exports and the GDP increased, workers’ wages did not and inequality expanded.

Here are some of the facts:

- Statistics Canada data show that 540,000 manufacturing jobs have been lost since 2000.
- Since 1994, workers’ inflation-adjusted average wages have stagnated while CEOs’ incomes have risen. What is particularly striking is that the GDP per capita was growing almost three times faster.
- At the same time, income inequality within the U.S. and Canada increased as measured by the GINI coefficient, the international standard of measuring inequality.
- In Mexico, the poverty rate stayed at a whopping 52 per cent before and after NAFTA.
- According to Unifor, Canada’s largest private sector union, nine out of 11 auto plants built since NAFTA was signed have been built in Mexico where the average auto plant wage is \$4 an hour.

### Labour rights in NAFTA

Corporations have gained a lot of special enforceable rights under trade agreements like NAFTA. While corporations have the right to sue governments over policies and regulations that affect their investments and profits, there are no such rights for workers or for those who want to protect the environment. Both NAFTA side agreements on environment and labour have proven to be painfully inadequate. For labour, the North American Commission for Labour Co-operation (NACLC) was designed to examine labour violations. However, out of 36 cases presented to the tribunal none resulted in hearings by an arbitration panel and today these mechanisms are hardly used.

The Trudeau government has suggested having a labour chapter in any renegotiated NAFTA agreement and suggested that it be modelled after the Canada-European Union Comprehensive Economic and Trade Agreement (CETA). This agreement does not set labour standards, or prescribe sanctions for labour violations. It does, however, ask governments to “strive” to protect labour rights. Without sanctions and an effective enforcement mechanism, these commitments are unenforceable.



# NAFTA's “ratchet and standstill” clauses mean that once public services become private, they must remain private

## Social spending and taxation

Since NAFTA was enacted, both corporate taxation and social spending decreased as NAFTA countries competed for corporations that were looking for the lowest tax rate.

The Canadian corporate income tax combined rate went from 43 per cent in 1994 to 26.5 per cent in 2016. The federal basic rate went from 36 per cent in 1980 to 15 per cent in 2012. At the same time, according to Finance Canada, tax cuts made it so that federal revenue as a share of GDP fell from 17.2 per cent in 1997-98 to 15.4 per cent in 2004-05. The provincial and territorial governments also cut \$20 billion in tax revenues.

In 1964, corporations paid 55 per cent of tax revenues and individuals paid 45 per cent. In 2004, the figures completely changed. Individuals paid 80 per cent of federal government revenues and companies not more than 20 per cent.

## Public sector jobs in NAFTA

NAFTA also threatens public services. NAFTA's “ratchet and standstill” clauses mean that once public services become private, they must remain private. So, for example, if a public utility were sold to a private company, it could no longer be brought back in the public sector. Ratchet and standstill means a government can liberalize more, but it cannot bring back a service into the public sector.

As well, while the U.S. supports “buy American” programs, both Canada and the U.S. have said that they would like to adjust procurement regulations, which would allow the Canadian governments to put in “buy local” programs. In current NAFTA negotiations, the U.S. wants access to Canadian public procurement without any reciprocal access to the U.S. market.

NAFTA supporters will often talk about consumer rights and the ability to get a better deal at the cash register, but people are more than just consumers – they are also workers and citizens. Our access to good full-time jobs and our ability to provide for our families and communities must not be bargained away at the NAFTA table.

## Take action!

Tell your member of Parliament that NAFTA must benefit workers.

*For more information about what is at stake in NAFTA, check out other information, factsheets and tools that are available in the Council of Canadians' Getting it Right: NAFTA Lobby Kit available at [canadians.org/nafta](http://canadians.org/nafta) or by calling toll-free 1-800-387-7177.*

### Sources:

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