

Free Trade with the U.S. has failed to close the income gap or create quality jobs

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If you read any Canadian newspaper, you've been treated to the same refrain: NAFTA has been good for Canada. It has led to economic growth and jobs for Canadians. And given that it's been so wonderful for Canada, the Security and Prosperity Partnership of North America (SPP) could only make things better, right?

What proponents of deep integration are not telling you is this: the notion that NAFTA has been good for average Canadians, Americans and Mexicans is a lie. The truth is that NAFTA has been responsible for growing poverty, the creation of a new underclass called the "working poor," and the concentration of wealth in the hands of fewer and fewer people.

The numbers don't lie

When political and business leaders sold Canadians on the merits of NAFTA, they promised that trade would boom, our economy would grow, more jobs would be created and our standard of living would skyrocket. In Mexico, politicians promised that free trade would lift people out of poverty. Look closely at the numbers, however, and all these promises begin to ring hollow.

A September 2006 study by the Economic Policy Institute (EPI) found that Canadian exports to the U.S. peaked in 2000 and started falling in 2001 and 2002. They have since risen again, but only because of a commodities boom particularly related to the minerals, forestry and energy industries.

In other words, if it weren't for natural resources, especially oil, our exports to the U.S. would be falling steadily. Furthermore, a federal Industry Department study quoted by EPI reveals that 90 per cent of the export surge in the 1990s was a result of the low Canadian dollar.

In addition, Canada's share of the American import market has stayed the same throughout the NAFTA years. So those who claimed that NAFTA would give us a "privileged" and growing access to the American market have been proven wrong. Canada is rapidly losing ground to India and China, two countries that have not signed trade deals with the U.S.

Exports don't equal jobs

NAFTA's proponents point out that Mexico has become the world's eighth largest exporter. This, they say, is proof that free trade has been good for the Mexican people. But researchers at the Fletcher School of Law and Diplomacy at Tufts University recently concluded that foreign investment was "largely disconnected from the domestic Mexican economy."

In other words, large corporations are exploiting a cheap labour force for quick profit. The products of this labour immediately leave the country as exports. This accounts for the high trade numbers but it is not an accurate reflection of Mexico's economic strength. The country as a whole does not benefit from technology transfers or new infrastructure.

A 2004 article in *The Economist* stated that NAFTA "champions" had oversold their case and that it was "never plausible" that NAFTA would be a net creator of jobs. The magazine went on to explain that free trade affects the pattern of jobs, not the total number of jobs created.

Disappearing middle class

In Canada, the middle class has taken the biggest hit. Wage growth has been almost flat since 1989 - it grew at a paltry rate of 0.63 per cent per year. NAFTA defenders point to the creation of "millions" of new jobs since the agreement was implemented, but a 2004 study by the **Canadian Centre for Policy Alternatives (CCPA)** questions the quality and stability of those jobs. According to the CCPA, 560,000 jobs were created in 2002, but 40 per cent were part-time and 17 per cent represented self-employed persons.

The CCPA's study reinforces an argument that the labour movement has been making for years: free trade eliminates unionized, steady, well-paid jobs and replaces them with temporary, non-unionized and largely part-time "*McJobs*". And this has come at a time when Canada's social programs have been devastated by cuts - especially since the mid-1990s. In 1989, the CCPA points out, 87 per cent of unemployed people in Canada qualified for unemployment insurance benefits, whereas by 2001 only 39 per cent qualified for coverage.

Canadians aren't the only ones suffering. Despite a flood of investment in the manufacturing sector along the Mexican border with the U.S., the real value of the minimum wage has dropped in Mexico by 18 per cent. A 2003 study by the Carnegie Endowment for International Peace points out that while the manufacturing sector in Mexico created 500,000 jobs between 1994 and 2000, the agricultural sector, where one-fifth of Mexicans still work, has lost 1.3 million jobs since 1994.

To add insult to injury, many of the manufacturing jobs are leaving Mexico for China, where wages are even lower. The most revealing indication of this trend is the skyrocketing numbers of Mexican immigrants to the United States. According to Mexico's National Institute of Statistics, the flow of undocumented workers to the United States has ballooned from an estimated 200,000 a year in 1994 to more than 300,000 a year in 2004.

The irony is that the U.S. middle class has also been devastated by job losses in recent years. Between 2001 and 2003, 2.9 million manufacturing jobs were lost in the U.S. According to *Forbes Magazine*, the United States' largest employer is now Wal-Mart, which pays its employees an average wage of \$7.50 per hour. The growing gap Here is the crux of the matter: If NAFTA has created so much wealth, why is poverty growing in all three countries?

Study after study reveals that the gap between rich and poor is growing both between countries and within countries. In the book *Living with Uncle: Canada-US Relations in an Age of Empire*, Bruce Campbell argues that after decades of declining inequality, the bottom 20 per cent of Canadian families saw their incomes fall by 7.6 per cent in the NAFTA era, while the top 20 per cent saw their incomes rise by 16.8 per cent.

A 2004 Report Card on Child and Family Poverty in Canada produced by Campaign 2000 reveals that nearly a third of Canadian children have lived in poverty for at least a year since 1996. According to the report, the richest 10 per cent of Canadian families have an average income 11 times as high as the poorest 10 per cent. The authors blame low-paying and insecure jobs for widening the disparity between rich and poor families. In other words, a "strong economy" has done nothing to close the gap.

The idea that free trade would make Mexico rich was the biggest fallacy of all. Under NAFTA, the number of Mexicans living in poverty has actually increased. According to a May 2001 World Bank study, Mexicans living in poverty represent 58.4 per cent of the population. That's almost 8 per cent higher than in 1994.

The much-celebrated "NAFTA labour side agreement" - an after-the-fact peace offering that was supposed to appease the U.S. labour movement - has proven too weak to enforce labour rights in Mexico. The mechanisms it created to defend workers have no enforcement powers so there has been little impact on the lives of the people the agreement was meant to defend. The *Wall Street Journal* put it eloquently in 1997, reporting that under the agreement "not a single worker was ever reinstated, not a single employer was ever sanctioned, and no union was ever recognized."

The evidence makes it clear that under free trade, the losers are the Canadians, Mexicans and Americans who are struggling to contend with low wages and insecure working conditions - if they are lucky enough to find a job. NAFTA has made corporate investors very rich, so it's no surprise that they are the ones pushing for deeper integration with the U.S. and Mexico through the Security and Prosperity Partnership. They are the only clear winners under the NAFTA model, so they want to make free trade irreversible and broaden its scope.

In 1994, Canadians took a leap of faith based on false promises. In 2007, we know better. Make comments about this article in [The Canadian Blog](#).

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