NAFTA's Seven-Year Itch

Promised Benefits Not Delivered to Workers

The United States, Mexico, and Canada entered into the North American Free Trade Agreement (NAFTA) on January 1st, 1994. NAFTA represented an ambitious and high-risk experiment in economic integration – a comprehensive trade and investment agreement between countries at very different levels of economic development. NAFTA phased out tariffs and other trade barriers between the three countries over the course of about fifteen years. At the same time, it put in place new and sweeping protections for investors and multinational corporations – strengthening and enhancing protection of patents and copyrights, delineating new rights for investors, and limiting government power to regulate investment and provide public services.

In the seven years since NAFTA entered into force, workers and consumers in all three countries have been harmed. Rather than provide a framework of rules to encourage sustainable and equitable growth, NAFTA has contributed to the loss of jobs and incomes of workers, while enriching the very few. NAFTA's main outcome has been to strengthen the clout and bargaining power of multinational corporations, to limit the scope of governments to regulate in the public interest, and to force workers into more direct competition with each other, while assuring them fewer rights and protections. The increased capital mobility afforded by NAFTA has hurt workers, the environment, and communities in all three NAFTA countries.

Trade Deficits Explode

NAFTA's proponents argued that one of the key benefits for the United States would be increased access to the Mexican consumer market – eighty million consumers with a taste for American products, just across our southern border. Jeffrey Garten, then-undersecretary of Commerce for International Trade, said in a 1994 speech: "One of the messages of NAFTA is that we see the future of North America being enhanced by the addition of a rapidly growing market of 80 million people, and we see the growth of that market accelerated by its close association with two of the world's most important industrial economies, America and Canada."

Gary Hufbauer and Jeffrey Schott, in one of the most widely cited pro-NAFTA studies, predicted that the United States would run a trade surplus with Mexico of $7 to $9 billion by 1995, possibly rising to $12 billion annually by the following decade. This surplus would "ensure the net creation of about 170,000 jobs in the U.S. economy," they wrote in 1993 (*NAFTA: An Assessment*, p. 15). The actual outcome has been exactly the opposite. The small trade surplus the United States ran with Mexico in 1993 shrank in 1994, and then ballooned into a large deficit in succeeding years. Hufbauer told the *Wall Street Journal* that, "The lesson for me is to stay away from job forecasting" ("Free Trade is Headed for More Debate," *WSJ*, 4/17/95). Julius Katz, former Deputy USTR under the first Bush Administration and one of NAFTA's chief negotiators, admitted that the Bush Administration used "totally phony [job] numbers, only because NAFTA's opponents were claiming that NAFTA would be a job loser ("NAFTA is Key to Mexico's Rescue of Peso," *WSJ*, 1/4/95).

While overall trade in goods with Mexico and Canada has risen dramatically -- an increase of 125% over 1993, U.S. imports from both Canada and Mexico have grown much more rapidly than our exports. As a result, the combined trade deficit with Mexico and Canada has soared from $9 billion in 1993 to $74 billion in 2000.

Trade with Mexico: Although total U.S.-Mexico trade in goods rose to $247.6 billion by 2000, the $1.7 billion trade surplus with Mexico in 1993 has shifted to large, sustained deficits, reaching a high of $24.2 billion in 2000. Imports of goods increased from $39.9 billion in 1993 to $135.9 billion in 2000, an increase of 240 percent. During the same period, U.S. exports to Mexico increased from $41.6 billion to $111.7 billion, an increase of 168 percent. By 1999, exports to the U.S. were 80 percent of total Mexican exports.

U.S. Mexico Trade

	Imports	Exports	Balance
1993	39.9	41.6	1.7
2000	135.9	111.7	-24.2

Source: U.S. Department of Commerce, U.S. International Trade in Goods and Services

Trade with Canada: Since the implementation of the Canada-U.S. FTA in 1989 and NAFTA in 1994, the Canadian and U.S. economies have become much more integrated in terms of trade. In 1992, exports to the U.S. were 75 percent of total Canadian exports. By 1999, that number had increased to 83.4 percent. The U.S. trade balance with Canada during the first seven years of NAFTA has also shown a significant deterioration. The $10.7 billion trade goods deficit with Canada in 1993 exploded to $50.4 billion in 2000. In fact, trade deficits with Canada have averaged $24.5 billion per year during the first seven years of NAFTA. Exports of U.S. goods to Canada increased from $100.2 billion in 1993 to $178.8 billion in 2000, an increase of 78 percent. During the same seven years, imports surged from $110.9 billion to $229.2 billion, an increase of 107 percent.

U.S.- Canada Trade

	Imports	Exports	Balance
1993	10.9	100.2	-10.7
2000	229.2	178.8	- 50.4

Intra-industry Trade

It is a measure of the increased integration of the North American economies that two-way trade occurs within virtually every industry. Approximately 80 percent of U.S.-Mexican trade is intra-industry trade. The majority of categories that show up as top U.S. exports also appear on the list of top U.S. imports. This two-way exchange within industries reflects the specialization that occurs through trade. It can imply any of the following: 1. each country is sending the other a totally different product within the same industrial category, 2. each country is sending a different version of the same product, and 3. each country is sending the other essentially the same product, but at a different stage of production.

Auto Trade

The majority of the U.S. goods deficit with NAFTA countries can be attributed to the increased deficits in automotive goods (vehicles and parts). In 1993, the U.S. deficits in automotive goods were $3.6 billion and $9.5 billion with Mexico and Canada respectively. By 2000, those automotive deficits had grown to $24.0 billion with Mexico and $19.3 billion with Canada. A more detailed breakdown of the data shows a different pattern of trade with the countries. The U.S. experienced deficits with Mexico in both vehicles ($17.3 billion), and parts ($6.7 billion). On the other hand, the large U.S. deficit with Canada in vehicles ($30.2 billion), was somewhat offset by a surplus in parts ($10.9 billion).

Trade in Services

Trade in services with NAFTA countries has somewhat offset the exploding trade deficits in goods. The U.S. services deficit of $0.4 billion with Mexico in 1993 switched to a surplus of $2.8 billion in 1999. However, the $7.1 billion services surplus with Canada in 1993 shrank to $5.7 billion in 1999.

Lost Job Opportunities

During the debate over its passage, supporters claimed that a surge in our trade surplus with Mexico would create 170,000 jobs in the U.S. as a result of NAFTA. The dramatic shift in the trade patterns with both Mexico and Canada has proven these predictions to be absolutely wrong. **The U.S. trade deficit with Mexico and Canada has almost quadrupled since NAFTA went into effect, accounting for the loss of more than three-quarters of a million jobs and job opportunities in the United States since 1993.** For more details and information on how the job multiplier was calculated, see the excellent study by the Economic Policy Institute, "NAFTA at Seven: Its Impact on Workers in all Three Countries." (Information on how to obtain the study can be found on EPI's website: http://epinet.org .)

Mexico: The persistently large trade deficits during the first seven years of NAFTA have resulted in hundreds of thousands of lost job opportunities. If the U.S. consumes more imported goods than it than it produces for export, the result is lost job opportunities. This can happen when imports displace domestic production or when companies producing in the U.S. decide to shift production. EPI calculates that the growth in the U.S. trade deficit with Mexico since NAFTA resulted in 367,193 lost U.S. job opportunities, while increasing downward pressure on wages and eroding workers' bargaining power.

Canada: The substantial increase in the trade deficit with our largest trading partner has also contributed to hundreds of thousands of lost jobs opportunities during the first seven years of NAFTA. According to EPI, the rapid growth in the U.S. trade deficit with Canada resulted in 398,837 lost job opportunities since 1993.

NAFTA Total: During the first seven years of NAFTA, EPI finds that the inflation-adjusted $62.8 billion increase in the combined trade deficit with NAFTA partners has cost American workers 766,030 job opportunities. While macroeconomic policies have resulted in a relatively low overall U.S. level of unemployment – at around 4% -- this loss of job opportunities shows up as a shift in the overall composition and quality of jobs B primarily a shift away from relatively high-paying manufacturing jobs with good benefits and higher union density to service-sector jobs that pay less on average.

Textile and Apparel Jobs: Trade-related job losses from NAFTA are readily apparent in the U.S. textile and apparel industry that has experienced a huge surge in imports and dramatic declines in employment in the seven years since NAFTA went into effect. Average annual (seasonally adjusted) employment in the U.S. apparel industry has shrunk from 1,002,000 in 1993 to 666,000 in 2000, a 34 percent decline. During the same period, average annual employment in the textile sector, which is more capital intensive, fell from 677,000 to 548,000, a drop of 19 percent.

NAFTA Transitional Adjustment Assistance Program: 335,975 Workers Certified

One concrete measure of jobs lost to NAFTA is the number of workers certified under the NAFTA Transitional Adjustment Assistance Program (NAFTA-TAA). This program provides training benefits and some income support to workers who have lost their jobs because their company moved production to Mexico or Canada or because of increased imports from Mexico or Canada.

As of February 5, 2001, out of approximately 600,000 applicants under NAFTA-TAA, the U.S. Department of Labor has certified 335,975 workers from 2,799 locations as having lost their job because of

NAFTA. During the same time period, approximately 798,800 workers were certified under the broader Trade Adjustment Assistance (TAA) program, which stipulates that imports must be a substantial cause of worker dislocation. Several unions recommend that dislocated workers file under both programs, and 243,800 workers were certified under both programs.

Of the 335,975 workers certified under NAFTA-TAA, 201,000 (60%) were certified as a result of companies shifting production to Mexico (169,969 - 51%) or Canada (31,206 - 9%). Another 75,844 workers (23%) were certified as a result of increased customer imports from both countries. A total of 44,364 workers (13%) were certified as a result of increased company imports. In addition, 14,592 workers (4%) were certified because of high and rising aggregate imports from Mexico and/or Canada.

NAFTA-TAA certifications undercount the number of workers displaced by NAFTA for several reasons. Almost twice as many workers apply for NAFTA-TAA as the number certified. Second, many workers and employers seek benefits under the broader TAA program, because of some advantages in the training provisions. Third, as many as half of trade-displaced workers have no idea they are eligible for benefits. Fourth, NAFTA-TAA does not count the loss of potential jobs when an American company adds new production to an existing facility or builds a new facility in Mexico or Canada.

Foreign Direct Investment

Mexico: Foreign direct investment (FDI) -- the building or buying of plants, equipment and other productive assets B has been increasing in Mexico since the mid-1980s. In 1994, FDI in Mexico more than doubled, from $4.9 billion to $10 billion. The uncertainty surrounding the peso devaluation led to a drop in FDI to $6.7 billion in 1995. However, FDI rebounded in 1996 to $10.3 billion. Mexico managed to top that figure in 1997, with $12.9 billion in FDI. In 1998, FDI in Mexico totaled $10.2 billion. Approximately 60 percent of foreign direct investment in Mexico during NAFTA was invested in manufacturing enterprises. The U.S. was responsible for 54 percent of total FDI in Mexico during NAFTA.

Canada: Similar to the Mexican experience, FDI in Canada soared from $4.7 billion in 1993 to $8.2 billion in 1994, and progressed steadily to reach $11.8 billion in 1997. The uncertainty associated with investing in Asia following the economic crisis shifted FDI to more stable economies such as Canada's. Inward flows of FDI to Canada surged to $21.7 billion in 1998 and to $25.1 billion in 1999. The decrease in relative labor costs -- driven by currency devaluation B provided added incentive to invest in Canada. Hourly compensation costs for production workers in Canadian manufacturing of $16.44 were 100 percent of U.S. levels in 1993. By 1999, they had fallen to 81 percent of U.S. levels B $15.60 versus $19.20.

Maquiladora Expansion

The maquiladora industry is performing quite robustly despite uncertainties surrounding its tax status and new NAFTA-related rulings on taxes this year. Among factors favoring the maquiladora industry are its increasing strategic importance in worldwide manufacturing production and a healthy U.S. market.

During January-September 2000, maquiladora employment grew 13.4 percent relative to the year-earlier period, to 1.3 million workers. The number of maquiladoras increased by 9.3 percent over the year before to total 3,562 plants.

In 1999, hourly compensation costs for production workers in manufacturing in the maquiladora export industries was 16.67 pesos, or $1.74. These figures are adjusted by the U.S. Bureau of Labor Statistics to represent hourly wages plus the value of benefits and bonuses. In contrast, hourly compensation costs in manufacturing for all of Mexico was 20.24 pesos, or $2.12. Hourly compensation in U.S. manufacturing was $19.20 in 1999.[i]

Total raw materials processed by the maquiladora industry reached $40.5 billion for January-September ($39.2 billion imported), 20.8 percent higher than the same period last year. Value added, at $12.7 billion through September, was 32 percent above its level a year earlier. During the first nine months of the year, maquiladora exports grew 25 percent relative to the year-earlier period and reached $57.3 billion. This represents almost 47 percent of Mexico's total exports and 54 percent of Mexico's manufacturing exports.

From January to September 2000, the maquiladora industry's three principal sectors were as follows: 433,300 workers producing $26 billion in electric and electronic goods; 233,700 workers producing $10.1 billion transportation equipment; and 279,900 workers producing $5 billion in textiles and apparel. Mexico's textile and apparel sector is the single largest supplier in the world to the U.S. Its electric and electronic sector ranks second among world suppliers to the U.S., and transportation equipment and auto parts ranks third among world suppliers to the U.S.

Taxes: Maquiladora companies do not pay corporate income tax because they typically do not generate sales, and therefore no direct income in Mexico. However, in 1994, Mexican authorities decided to subject the industry to transfer pricing rules. Maquiladoras were required to pay taxes on the value of their production, even when the product was being transferred to the firm's parent outside Mexico. Mexico announced that, as of 2000, maquiladoras would be considered a permanent establishment in the country for tax purposes. This presented a much higher tax burden for maquiladoras with headquarters in the U.S. Because this change would have made many companies uncompetitive, the U.S. and Mexico reached an intergovernmental agreement -through 2004 - that kept the existing transfer pricing scheme in place.

U.S. Mexico Wage Gap

In 1993, Mexican hourly compensation costs for production workers in manufacturing were 14.5 percent of those in the U.S.: $2.40 versus $16.44. After six years of NAFTA, 1999 hourly compensation costs for production workers in manufacturing had fallen to 11 percent of U.S. levels: $2.12 versus $19.20. Far from closing the wage gap as promised, NAFTA to date has exacerbated the already stark differences between U.S. and Mexican wages.

For the Mexican worker, the picture is even bleaker than the U.S. Mexican wage gap would indicate. When increases in consumer prices are factored in, real hourly compensation in pesos fell by 17 percent for the 1993-99 period. Self-employed workers (whose numbers have grown significantly) suffered even more, with inflation-adjusted hourly wages falling 40 percent. While preliminary data indicate the real Mexican wage increased by about 5 percent in 2000, Mexican workers still earn less today than before NAFTA. This should give pause to the many pundits who trumpet NAFTA's success based on irrelevant statistics, such as the growth in overall trade volume.

Mexican Economy

Following the severe recession of 1995, overall economic indicators have shown rapid growth rates: 6.7% in 1998, 4.8% in 1999 and 7.2% in 2000. However, officials in Mexico expect growth to cool to 4.5% in 2001. Independent analysts predict it could fall below 3%, as U.S. demand for the country's exports slackens.

---

[i]..International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing, 1999, Bureau of Labor Statistics, U.S. Department of Labor.

Unfortunately, economic growth during the NAFTA years has not reduced glaring income inequality in Mexico. According to the United Nations, 18 percent of the Mexican population was subsisting on less than $1 per day in 1995, up from 15 percent in 1993. The poorest 20% of the population received only 3.6 percent of national income, while the richest 20% received 58.2% B a ratio of 16 to 1. Mexico now has three times as many billionaires as it did on the eve of NAFTA.

When adult workers are not paid a living wage, they are forced to send their children into the workforce. In Mexico, 5 million children younger than 14 years old are working. Nineteen percent of 12-14 year-olds are working.

Canadian Economy

By almost any measure, the post-FTA period of 1989 through 1996 has been one of the most dismal in Canadian history. It has been the longest period of below potential growth since the Great Depression. Growth in the post-FTA period has been significantly slower than in the U.S. -- real GDP grew an average 1.4 percent, 1989-1996, compared to 2.0 percent in the U.S. Given population growth, there has been almost no growth in real living standards in Canada since 1988.

The national unemployment rate soared from a low of 7.5 percent in 1989 to more than 11 percent in the 1990s. At least one in five Canadian workers have been unemployed each year in the 1990s. An historically unprecedented gap has emerged between unemployment rates in Canada and the U.S., largely because of much slower job growth in Canada. The absolute number of full-time jobs recorded in 1990 was not regained until 1997. The participation rate has fallen steadily from 67.5 percent in 1989 to below 65 percent today.

The incidence of part-time work has increased from 20 percent to 25 percent among adult women since 1989, and this is almost all involuntary part-time employment. The casualization of employment in the 1990s is also revealed in the rapid growth of temporary work, which increased from 5 percent to 11.6 percent of total employment between 1991 and 1996. Self employment has contributed to one-half of all job growth in the 1990s.

Benefits have been significantly cut in most provinces since 1992, and it has been more difficult to claim benefits. The result has been a sharp increase in poverty, particularly among families with children. The incidence of low income families with children has risen from 15.3 percent in 1989 to 21 percent in 1995. In 1997, only 36 percent of unemployed workers in Canada received the Unemployment Insurance benefits they paid for through their UI payroll deductions, down from 74 percent in 1989.

Although the Canadian economy has improved during the past two years, and full-time employment has increased, economic growth has not yet fully spilled over to working people in the form of wage gains. While pre-tax corporate profits have soared to new heights, real hourly wages of $15.40 in 2000 are virtually unchanged since 1997 when they averaged $15.27.

The anticipated weaker growth in the U.S. has led economists in Canada to downgrade their expectations for the country’s performance in 2001. Some point to the increasing share of Canada’s GDP accounted for by total trade with the U.S. – a figure that has risen from 31 percent in 1990 to over 58 percent in 1999 – as evidence of Canada’s vulnerability to a U.S. slowdown at this time.

Source: Robinson, David, "State of the Canadian Economy," Canadian Centre for Policy Alternatives, January 2001.

U.S. Economy

Although many NAFTA proponents cite low U.S. unemployment rates as proof of NAFTA's success, a closer look at the employment data presents a more mixed picture of the health of the U.S. labor market. During one of the longest sustained economic boom periods in American history, employment growth has been confined to the service sector. From its peak in March of 1998 to the end of 2000, BLS Establishment Survey Data shows that employment in U.S. manufacturing fell by 576,000 workers.

Since 1993, real U.S. hourly wages have risen 7 percent. Real average hourly wages in the U.S. were relatively unchanged during the first three years of NAFTA, and accelerated in 1997 and 1998. But since then, the increases have tailed off and real wage growth has once again flattened out. Worker productivity growth has outstripped compensation growth by a wide margin throughout the 1990s, growing by an average of 1.9 percent per year (4.3 percent per year in manufacturing), indicating that workers are not getting their fair share of the benefits of economic growth.

Capital Mobility: Effects on Workers in the U.S.

NAFTA made it less risky and more lucrative to move production to Mexico and Canada. This increase in capital mobility and flexibility has undermined the bargaining power of American workers. Successive studies by Professor Kate Bronfenbrenner at Cornell University reveal that since NAFTA went into effect, 68 percent of employers in manufacturing, communication, and wholesale/distribution threatened to move all or part of the plant during union organizing drives. Fifteen percent of employers followed through on threats and shut down all or part of the plant within two years, triple the rate found by researchers who examined post-election plant closing rates in the late 1980s, before NAFTA into effect.

Bronfenbrenner found that not only are these illegal threats a pervasive part of employer campaigns, they are also very effective in increasing employers' chances of defeating unions in elections. As expected, Mexico was the country most often mentioned in plant closing threats.

The Cornell studies find that the cost of these plant closings and plant closing threats goes well beyond broken unions and failed organizing drives. Absent any hope of collective power to demand real improvements in wages, benefits, working conditions, and long term job protections, workers' insecurity will continue to rise. This insecurity will continue to hold down wage and benefit demands, but it will not be good for American workers, their families, and their communities.[ii]

Labor Supplemental Agreement

The North American Agreement on Labor Cooperation (NAALC), often call NAFTA's labor side agreement, establishes a number of structures to monitor labor conditions in North America, as well as to address complaints about the failure to enforce labor law in the three countries. These structures have very limited enforcement powers, especially when contrasted to the commercial provisions of NAFTA. The NAALC commits each of the NAFTA countries to enforce its own labor laws in 11 broad areas.

Seven Years of NAALC Submission Experience

Of the twenty-three submissions filed under the NAALC in the first seven years of NAFTA, 15 submissions have been filed with the U.S. National Administrative Office (NAO), 13 alleging violations of labor

[ii]..Bronfenbrenner, Kate, Uneasy Terrain: The Impact of Capital Mobility on Workers, Wages, and Union Organizing, Cornell University, September 6, 2000.

law in Mexico, and two against Canada. Five submissions have been filed with the Mexican NAO alleging labor law violations in the United States. Three submissions have been filed in Canada, one raising allegations against Mexico and the other two raising allegations against the U.S.

Twelve of the fifteen submissions filed with the U.S. NAO involved issues of freedom of association. One submission concerned the illegal use of child labor in Mexican agriculture, and one case raised issues of pregnancy-based gender discrimination in the maquiladora industry. Four cases raised the issue of safety and health. One submission concerned minimum employment standards, including payment of overtime and mandatory contributions for social security, pensions and housing.

Current Status: Of the submissions filed in the U.S., three (GE, Maxi-Switch and McDonalds) were withdrawn before the review process was completed. Hearings were held on eight submissions, with five going to ministerial level consultations. The U.S. NAO declined to accept three submissions (Flight Attendants, Rural Mail Couriers and Tomato/Child Labor).

Four of the five Mexican submissions (Sprint, SOELC, Apple Growers and DeCoster Egg) resulted in ministerial consultation. One Mexican submission (Yale/INS), filed in September 1998, is still under review. The Canadian NAO submission, ITAPSA, resulted in a request for ministerial consultations which is still pending. The Canadian NAO declined to accept the other two submissions (Yale/INS and Labor Policy Association).

Alarming events in Mexico during NAFTA's seventh year indicate that the very process of filing complaints under the NAALC may now endanger workers' safety. On June 24, 2000 in Tijuana, two dozen members of the independent October 6 Union of workers at the Han Young maquiladora walked into a seminar organized by Mexico's labor ministry. The seminar was an outcome of a NAALC complaint filed by these same Han Young workers over the Mexican government's blatant and repeated refusal to allow them to choose their own union. As the Han Young workers reached the front of the room, thugs from the CROC, one of Mexico's government-controlled union federations, jumped up and attacked them, beating them and forcing them out into the street. No arrests were made, and the police were not called. After the ejection of the workers, the seminar resumed its academic discussion of freedom of association.

A month later in Matamoros, three men visited the wife of a former employee of the Auto Trim maquila and asked her why her husband had signed a recent NAALC complaint. One of them said, "Aren't you afraid? You ought to be; something could happen." This threat was followed by a barrage of intimidation against the workers and groups involved in the NAALC complaint. The pattern that has emerged is that workers trying to eke some benefit out of the NAALC are now fair game for retribution.

Assessment: Of the twenty-three cases filed under the NAALC, most involved the first, most important right of freedom of association and the right to organize an independent union. However the outcome for workers has been very disappointing. Of 15 submissions to the U.S. NAO, only five resulted in ministerial consultation. Four Mexican submissions resulted in ministerial consultation, but filing with the Canadian NAO has, thus far, proved fruitless.

To date, the NAALC has "failed to promote compliance with, and effective enforcement by each party of , its labor law"; and organizing by independent unions continues to be squashed by government authorities. Even in cases, such as Sony, where the NAO has found that one of the NAFTA governments has "persistently failed to enforce its own laws" in the key area of freedom of association, the only remedy has been a "ministerial consultation." The absence of any enforcement mechanism has meant that neither governments nor companies take the NAALC seriously.

The first obligation in the NAALC was for each country to provide for high standards in its labor laws and to "continue to strive to improve those standards." The submissions filed and the evidence of the absence of high standards in national laws and practices uncovered in the hearings indicate that this first obligation has not been met in the first seven years of NAFTA.

Lessons for the Future

NAFTA is a model that, in our view, has utterly failed to deliver the promised benefits to ordinary citizens in any of the three North American countries. NAFTA's main outcome has been to strengthen the clout and bargaining power of multinational corporations, to limit the scope of governments to regulate in the public interest, and to force workers into more direct competition with each other -- reinforcing the downward pressure on their living standards, while assuring them fewer rights and protections.

Now, the U.S. government and the 33 other governments in the Western Hemisphere (excluding Cuba) have launched negotiations toward a Free Trade Area of the Americas (FTAA), which would essentially extend NAFTA to the rest of the hemisphere. These negotiations have been conducted in excessive secrecy and have given too much weight to the concerns of multinational corporations, while ignoring those raised by unions, environmental, human rights, women's, religious, and family farm organizations.

The AFL-CIO vigorously opposes the continuation of an FTAA negotiation process that undermines workers' rights and environmental protections, exacerbates inequality in the hemisphere, and constrains the ability of governments to regulate in the interests of public health and the environment. In order to provide a new progressive model of trade and development policy, a hemispheric agreement must incorporate:

- enforceable workers' rights and environmental standards in its core. For workers in the hemisphere to share the benefits of increased trade and investment, they must be able to exercise their core workers' rights, which the International Labor Organization's 1998 Declaration on Fundamental Principles and Rights at Work identifies as freedom of association, the right to organize and bargain collectively, and the right to be free from child labor, forced labor, and discrimination in employment;

- protection under national law and international treaty obligations for the rights of migrant workers throughout the hemisphere, regardless of their legal status;

- measures to ensure that countries retain the ability to regulate the flow of speculative capital in order to protect their economies from excessive volatility;

- debt relief measures to improve the ability of the developing countries to fund education, health care, and infrastructure needs, thereby contributing to closing the gap between rich and poor nations, and reducing inequality within nations;

- equitable and transparent market access rules that allow for effective protection against import surges; and

In addition, if there are to be hemispheric negotiations on investment, services, government procurement, and intellectual property rights, any resulting agreement must not undermine the ability of governments (at all levels: federal, state, and local) to enact and enforce legitimate regulations in the public interest:

An acceptable hemispheric agreement must not simply replicate the failed trade policies of the past, but must incorporate what we have learned about the problems and weaknesses of the current rules. The success or failure of any hemispheric trade and investment agreement will hinge on governments' willingness and ability to develop an economic integration agreement that appropriately addresses all of the social, economic, and political dimensions of trade and investment, not just those of concern to corporations.

Contact: Greg Woodhead, AFL-CIO, Public Policy Department – (202) 637-5181