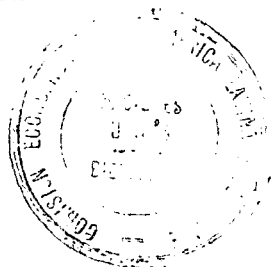


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Labor and the Negotiation of Free Trade Agreements

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Labor and the Negotiation of Free Trade Agreements

by

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The Trade Partnership
Washington, DC

Two weeks after President George Bush announced that the United States, Mexico and Canada had concluded negotiation of a North American Free Trade Agreement (NAFTA) liberalizing trade and investment conditions between the three countries, but before its actual terms were made public, AFL-CIO President Lane Kirkland made it clear that labor would vehemently oppose the NAFTA: "I have the darkest apprehension about what it might contain. I see no possibility that we can support it."¹ The position of Canadian labor is no different.

Labor's avowed opposition to an as-yet formless trade agreement thought by many to improve significantly the competitiveness of U.S. and Canadian producers and their economies raises the question: Is there some combination of provisions that is acceptable to labor in the United States and Canada that would ensure their support for future trade-liberalizing agreements, or are these agreements always doomed to opposition from labor?

Both U.S. and Canadian labor groups insist that they are not opposed to trade, or to their governments' participation in international trade negotiations. Rather, they argue, the issue is

¹ Frank Swoboda, "AFL-CIO Delays Pressing Clinton on Trade Accord", The Washington Post, September 2, 1992, p. F1.

how to participate in trade-liberalizing negotiations so that the benefits of expanded trade and economic activity are equitably distributed, so that it is not only a "small number of people on the top rungs of the economic ladder" who benefit, but also the "vast numbers on the bottom and middle rungs". Therefore, they insist that before trade between developed and developing countries can be liberalized, the employment and environmental conditions in developing countries must be raised considerably. Only then can massive job losses and wage suppression in the developed countries be minimized. Only then can exploitation of labor in the developing countries party to the trade agreement be avoided. And to care for those workers in the industrialized countries who would, even in these best of circumstances, lose their jobs, organized labor insists that a massive and effective trade adjustment assistance program must be in place.

In short, then, labor in the United States and Canada could endorse trade negotiations with other countries in the Western Hemisphere, but only if they address a very long list of issues and provide for union and Congressional participation in the actual negotiations. These requirements, however, would require major changes in the economies of future free trade area (FTA) partners, occurring over several decades, before actual trade negotiations could begin. Therefore, in reality it is highly unlikely that future FTAs can be negotiated without opposition from labor in the developed countries.

This conclusion raises a second question: if future FTA negotiations continue to be, in labor's opinion, narrowly prescribed,

how effective will labor's opposition be in ultimately derailing the negotiations and/or the enactment of the free trade agreements in the United States and Canada? The answer depends on who the future free trade agreement candidates are, how negative an impact the NAFTA has on U.S. and Canadian employment, and whether a Democrat is President or a non-Conservative is Prime Minister.

This paper traces the positions and activities of labor groups in the United States, Canada and Mexico since the negotiation of the first FTA agreement between the United States and Israel. It concludes with an assessment of what this history means for the negotiation of future FTA agreements between the United States, Canada and other countries in the Western Hemisphere.

I. The Positions and Role of Organized Labor in the Negotiation of the U.S.-Israel FTA, and the U.S.-Canada FTA

Although its arguments opposing the U.S.-Israel Free Trade Agreement (IFTA) and the U.S.-Canada Free Trade Agreement (CFTA) were similar, U.S. labor's role in the negotiation process, and its impact on the Agreements' terms, were remarkably different than the roles and impact on the NAFTA. Canadian labor was extraordinarily active during the CFTA negotiations, and has remained so for the NAFTA.

A. U.S.-Israel FTA

The IFTA, which went into effect in 1985, was the first bilateral FTA agreement negotiated by the United States. Organized labor in the United States worried that the proposed Agreement signalled an institutionalization of Reagan Administration policy to

take the government out of the marketplace. Unions opposed this because they believe that some government intervention in the market is necessary to soften the blows of unfettered capitalism on labor. Labor also saw the process for negotiating the IFTA -- the so-called "fast track" process -- as a threat to labor's ability to have an impact on the provisions of the IFTA. Labor's influence over the Congress significantly exceeds its influence over trade negotiators in the Republican administrations, and therefore organized labor always prefers that U.S. policies that affect trade emanate from the Congress.²

1. Arguments

Despite the small size of the Israeli market and the fact that about 95 percent of Israel's exports to the U.S. market already entered the United States duty-free under the GSP program, the AFL-CIO, which represents 84 percent of unionized labor force in the United States, opposed the IFTA on the grounds that it would prove harmful to U.S. workers. "It is our firm belief that the Israeli free-trade area proposal is not in the interest of the U.S. and can only contribute to the further decline of the U.S. industrial structure by increasing imports from Israel," said the AFL-CIO in testimony

² Robert M. McGlotten, Director, Department of Legislation, AFL-CIO, Testimony on the "Implication for Workers of the Fast Track Process and the Mexican Free Trade Agreement," Joint Hearing before the Subcommittee on Labor-Management Relations and the Subcommittee on Employment Opportunities, Committee on Education and Labor, U.S. House of Representatives, Committee Print, 102nd Congress, First Session (Washington, DC: U.S. Government Printing Office, 1991), pp. 27-28.

before the Congress.³ Noting a "huge" merchandise trade deficit, the union argued that

additional reduction of U.S. tariff and other protections just does not make sense... The U.S. market is already the most open in the world and the elimination of the minimal protections now in place will only accelerate the downward spiral of the nation's industrial strength.⁴

However, the projected negative effects were not quantified by the unions.

Opposing the IFTA put organized U.S. labor in an awkward position. The AFL-CIO had historically been one of the most vocal supporters of Israel in the United States, and has strong ties with Israeli labor. So, the union emphasized that its opposition to the IFTA was not "anti-Israeli"; instead, it was a "positive expression of concern over the health of U.S. industry and the employment of American workers."⁵ "We strongly believe that such a proposal will not be to the mutual benefit of the two countries. A weakened, ineffectual United States is not going to be a helpful ally to Israel."⁶ Israeli labor understood that the AFL-CIO had to represent the interests of its members, and agreed not to take the opposition as "anti-Israeli".

³ Stephen Koplun, Legislative Representative, Department of Legislation, AFL-CIO, "Proposals for U.S.-Israel Free Trade Area," Written Testimony Before the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, May 22, 1984, p. 3.

⁴ Ibid.

⁵ Ibid., p. 2.

⁶ Ibid., p. 5.

2. Activities

The IFTA negotiations moved quickly, beginning in January 1984 and concluding in April 1985. The Office of the U.S. Trade Representative consulted with labor and industry groups during the course of the negotiations. The unions, however, did not feel that their criticism and positions were seriously considered by the Administration's negotiators. In large part, according to an Administration negotiator, this was because the input received from labor amounted to unconstructive criticism, not useful in developing the IFTA's provisions.

Another reason for the general lack of effect on the terms of the Agreement or its ultimate approval by the Congress is that American labor groups in general did not mount an all-out effort to oppose the IFTA. While there was some cooperation with other unions that opposed specific parts of the IFTA (such as the textile and apparel unions), on the whole the AFL-CIO remained in the background. Coupled with the fact that Congressional support for Israel was strong and all but assured the IFTA's approval, there was little public (and therefore worker) opposition to the Agreement that would support a serious effort to derail the it.

3. Impact on the Agreement

For these reasons, and by its own admission,⁷ U.S. labor did not have any significant impact on the terms of the IFTA.

⁷ Personal conversation of the author with Mark Anderson, AFL-CIO, September 25, 1992.

B. U.S.-Canada FTA

Organized labor in the United States took a more active role opposing the CFTA than it did the IFTA. More opposition, however, was expressed by labor groups in Canada than in the United States. This was due in part to the fact that Canadian labor and industry felt it had more to lose from trade liberalization with the United States than U.S. labor and Americans generally feared from trade liberalization with Canada.

1. Canadian Labor Reaction and Role

Organized labor in Canada unanimously opposed the CFTA.

The issue of free trade with the United States is a divisive issue regionally, but we can report that there are no divisions within our ranks on this question on a regional basis - or any other basis for that matter.⁸

The unions ultimately succeeded in forcing a general election largely focused on the CFTA, an election which they lost, however.

a. Arguments

Canadian labor's objections to the CFTA centered on its likely impact on Canadian: (1) jobs and wages; (2) social and regional development programs, and (3) sovereignty and national identity.

The Canadian Labour Congress (CLC), the largest central union in Canada representing 58 percent of organized labor,⁹ argued that

⁸ Canadian Labour Congress, Presentation to the House of Commons Standing Committee on External Affairs and International Trade, in St. John's, Newfoundland on December 4, 1987 [hereafter, "St. John's Presentation"], pp. 5-6.

⁹ In 1991, 36.5 percent of the Canadian non-agricultural work force was unionized. Canadian labor laws generally parallel those of the U.S., but in some respects they make it easier to organize unions. No Canadian province has right-to-work laws, and in virtually all jurisdictions, employers are not permitted to hire permanent strike

the CFTA would result in an exodus of manufacturing investment and jobs from Canada to the United States. The CLC noted that many Canadian manufacturing plants are subsidiaries of U.S. corporations, whose U.S. plants were running at low levels of capacity utilization. Once the CFTA became effective, the CLC predicted, the U.S. owners will close the Canadian plants, reducing Canada from "a self-reliant community to a nation of shopkeepers and shoppers."¹⁰ Massive unemployment would follow. It was also feared that the CFTA would exert downward pressure on Canadian wage rates and some fringe benefits (although not overall fringe benefits¹¹) when comparisons were made with the less-unionized U.S. labor force.

Canadian labor also believed that the CFTA would force Canadians to surrender important social and regional development programs. The CLC feared that under the CFTA, Canada would have to systematically dismantle its national health insurance system to achieve parity of conditions with the U.S. system, on the grounds that Canadian health services constitute indirect "subsidies". The

replacements. (Pharis J. Harvey, Executive Director, International Labor Rights Education and Research Fund, Testimony before the Committee on Foreign Affairs, U.S. House of Representatives, "The Agenda for the Proposed North American Free Trade Agreement," March 6, 1991, p. 6.)

¹⁰ Social and Labour Bulletin, 1/88, p. 55.

¹¹ While Canadian employer contributions for such items as unemployment insurance and workers compensation tend to be higher in Canada than in the U.S., other items like employer contributions for health and pension plans are lower because they tend to be paid out of general tax revenues in Canada. For example, Canada provides universal health care funded primarily from provincial general revenues. As a net amount, fringe benefits for production workers in manufacturing are a slightly higher component of total compensation in the U.S. than in Canada: about 26 percent versus 22 percent, respectively. Gordon Betcherman and Morley Gunderson, op. cit., "Canada-U.S. Free Trade and Labour Relations," 1990 Labor Law Journal, August, p. 459.

incentives offered by some provinces in Western Canada to attract industries and create jobs would also have to be removed.¹²

Finally, Canadian labor argued that the CFTA would cost Canadians their sovereignty, and even their national identity. Playing on widespread Canadian anxieties about the United States, which is viewed as a giant that is both a highly productive and somewhat menacing presence on its border, the CLC predicted that the CFTA would result in "the further and decisive loss in Canadian sovereignty that would happen, as surely as night follows day, from the quantum leap that would take place in the level of integration of the Canadian economy into the much larger American economy."¹³ As a result, Canada's ability to meet the needs of its citizens as it sees fit would disappear:

The characteristic feature of the Canadian economy, relative to the American economy, is the lesser commitment to markets, the greater willingness to use government positively and creatively to bind the country together, to provide social services, to soften the impact of the market on the poorer regions and the poorer citizens.... [T]he greatest risk for Canada in a free trade deal with the United States is that we will put ... our capacity to continue to do things our own way ... at risk. The harmonization that will relentlessly proceed as governments negotiate and corporations lobby will eat at our national soul. ... History has made us different from [the United States], in a few ways that matter a lot. We should treasure and nurture those ways in which we are unique, not idly cast them away.¹⁴

¹² Social and Labour Bulletin, 1/88, p. 55-56.

¹³ Canadian Labour Congress, "St. John's Presentation," p. 8.

¹⁴ Ibid., p. 27-28.

Labor's concerns about the CFTA extended to its implications for the Canadian union movement itself. Canadian labor groups feared that the CFTA would pressure the Canadian labor movement to become more like its smaller and weaker American counterpart.

A very real concern was that the CFTA may be the catalyst that starts the Canadian trade union movement down the slippery slope of decline that occurred in the U.S. ... Canadian trade unionists fear that the increased competitive pressures, especially when they come from the very country with the declining unionization, will set in motion a similar decline in Canada.¹⁵

Union membership, which represented 37 percent of the Canadian non-agricultural work force in 1991, would decline because many of the job losses in Canada were expected to be in blue-collar unionized jobs, with the gains occurring in managerial, professional and service occupations that are hard to organize. Restructuring and mergers and acquisitions in response to the CFTA would put some union contracts at risk. Threats of plant relocations to the U.S. Sunbelt to use as a base to export into Canada were thought likely to be brought to the bargaining table more often.¹⁶ The need to compete with U.S. minimum wages in some states that were significantly below average Canadian standards was seen as the catalyst that would change company priorities from maintaining labor peace to controlling labor costs. The competitive pressures unleashed by the CFTA would force a harmonization of labor laws to the lowest common denominator.

¹⁵ Betcherman and Gunderson, op. cit., p. 456.

¹⁶ Ibid., p. 458.

Instead, labor argued that Canada should maintain and reaffirm its commitment to the multilateral system and to GATT. It should develop an industrial strategy promoting R&D, more resource processing, more Canadian content and ownership -- in short, greater national self-reliance rather than international interdependence.

b. Activities

Organized labor in Canada insisted that the Government seek endorsement of the CFTA by the Canadian people by calling a national election. The Canadian Labour Congress placed nationwide advertisements to alert people to the dangers to Canadian sovereignty and welfare programs they believed were inherent in the Agreement.¹⁷ Protests were staged. Labor's allies in the Parliament blocked Senate action on the CFTA, refusing to allow the chamber to vote on the bill until a national election had been called and held.

The CFTA dominated public policy debate as well as the 1988 Federal election campaign.¹⁸ Opposition Liberal leader John N. Turner condemned the pact as the "Sale of Canada Act", and he led Mulroney in the polls. A tight election was held November 21, 1988 and Mulroney's Progressive Conservative Party was returned to office with a solid majority, virtually ensuring final approval of the CFTA. Canadian Senate finally approve the CFTA just seven days before it was scheduled to take effect on January 1, 1989.

¹⁷ Social and Labour Bulletin, op. cit., p. 55.

¹⁸ Betcherman and Gunderson, op. cit., p. 454.

c. Impact on the Agreement

For all its protests, however, the CFTA's opponents were not very organized and therefore had little impact on the terms of the Agreement. Their criticisms of the CFTA were overcome with promises of special adjustment assistance and training programs. Early on during the negotiations, Mulroney created a private sector council to advise the government on industry and worker adjustment needs resulting from the CFTA. The Advisory Council on Adjustment was to identify potential problems with Government programs that would be affected by the CFTA and to recommend any necessary changes to them.

2. U.S. Labor Reaction and Role

Compared to the uproar it generated in Canada, the CFTA caused barely a ripple of protest in the United States. This was largely because most tariffs between the two countries were already at zero and most of the nontariff barriers the CFTA sought to eliminate were on the Canadian side of the border. The United States stood to gain the most from the CFTA. That said, U.S. labor saw the CFTA as the proof that its worries about the IFTA were well-founded: the CFTA would be another nail in the coffin of government intervention in the marketplace. It also represented further entrenchment of the idea that trade agreements be negotiated with strict limits on Congressional participation and, consequently, labor impact.

a. Arguments

While the Canadian unions argued that the United States would be the lopsided winner from the CFTA, U.S. labor complained that the Agreement would freeze Canada's economic and trade advantages over the United States. U.S. labor also predicted that the United States would lose control over its ability to enact laws of its own choosing, and ultimately over its sovereignty.

The AFL-CIO¹⁹ argued that the CFTA would grandfather in a whole series of Canadian practices that discriminate against U.S. production, and solidify the Canadian advantage by prohibiting the introduction of new measures to regulate or manage trade. It would maintain Canadian tariff advantages for ten years; open additional Federal government procurement to Canadian bidding, but not U.S. company bidding; permit continued Canadian protection of a variety of industries; retain favorable treatment in auto trade for Canada; and permit a Canadian advantage for certain agricultural commodities.

Finally, the unions argued that the CFTA would impinge on U.S. sovereignty. The Agreement would limit the ability of the United States to take action under its trade statutes. The AFL-CIO further complained that the CFTA would permit Canada to promote Canadian

¹⁹ About 16 percent of the U.S. workforce is unionized; the AFL-CIO, an umbrella organization of craft and industrial trade unions, represents 84 percent of unionized workers. Unionization is most prevalent in the services sectors -- government workers (37% of total union membership), transportation workers and public utilities workers (31%) and construction (21%) -- followed by workers in manufacturing (20%). U.S. Department of Commerce, Bureau of the Census, Statistical Abstract of the United States, 1992, Tables 670 and 672. In the name of solidarity, all of these unions oppose the types of free trade negotiations undertaken by the Reagan and Bush Administrations, those with the most to lose more vehemently than others.

economic development more than the U.S. could promote economic development.²⁰

b. Activities

While U.S. labor's opposition to the CFTA was stronger than its opposition to the IFTA, U.S. labor still objected less strenuously to the Agreement than did its Canadian counterparts. In large part this was because U.S. labor recognized that it did not stand to lose that many jobs as a result of the Agreement (no job loss estimates were commissioned or publicized by the unions). No alliances were formed to fight its passage with other anti-CFTA groups. Labor groups testified in opposition to the CFTA during Congressional hearings and participated through the advisory process in the negotiations themselves, but in general these efforts were subdued. Opposition groups did not widely publicize their estimates of the likely negative effects of the CFTA on the United States.

c. Impact on the Agreement

U.S. labor had relatively little impact on the terms of the CFTA. It did succeed in getting a more restrictive rule of origin for apparel imported from Canada. But in general, the provisions about which it objected (auto rules of origin, Canada's cultural exception, Canadian investment reviews, and other practices of the Canadian Government) were not changed to labor's satisfaction.

The Congress approved the CFTA by wide margins. The 40 "no" votes in the House and the 9 "no" vote in the Senate came from

²⁰ Mark A. Anderson, International Economist, AFL-CIO, "U.S.-Mexico Economic Relations," Testimony Before the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, June 28, 1990, p. 2.

representatives whose states depended heavily on industries -- such as energy, agriculture and seafood -- that believed the pact would worsen their problems with subsidized Canadian competitors, not from states which feared large job losses.

II. The Role and Position of Organized Labor in the Negotiation of the NAFTA

The negotiation of an FTA between Canada, the United States and Mexico was felt to pose more of a threat to U.S. labor than to Canadian labor, so this time U.S. labor expressed its opposition even before President Bush formally sought permission from Congress to negotiate a NAFTA. Using arguments reminiscent of Canadian labor arguments opposing the CFTA, American labor groups raised questions over the desirability of forging close commercial ties between countries of such different sizes as the United States and Mexico. Canadian labor, strongly opposed to the NAFTA, worried more about its indirect impact on Canada; instead, it viewed the NAFTA battle as a way to get rid of the CFTA. In contrast, Mexican labor supported the NAFTA; both Canadian and U.S. labor worked hard to weaken that support.

A. U.S. Labor Reaction and Role

In contrast to its subdued activities during the CFTA debate, U.S. labor mounted a very unified, vocal and constant battle against the NAFTA. Its arguments and efforts concentrated on the Congress and the public, although it also provided input to the Administration on Mexican labor issues and adjustment assistance needs.

The U.S. unions recognized that opposing the NAFTA no matter what its provisions would be unsuccessful and politically untenable for most of labor's Congressional supporters.²¹ They knew that they could not defeat the NAFTA solely on the grounds of lost jobs, so they gave voice to the more politically palatable objections of the environmentalists. An FTA with Mexico would be "tolerable", according to AFL-CIO President Lane Kirkland, only if it offered development assistance to Mexico to reduce disparities with the United States and included a social clause that sets out minimum labor standards throughout the region.²²

1. Arguments

American labor's arguments were remarkably similar to those of Canadian labor during the negotiation of the CFTA, supplemented by environmental arguments. They focused on (1) predicted job and wage impacts; (2) the effect Mexican labor, health and safety standards would have on U.S. standards, (3) the impact on the U.S. standard of living; and (4) the impact on U.S. and Mexican environmental standards.

a. Jobs and Wages

Labor predicted that the NAFTA would increase U.S. imports and cause massive job losses. Labor pointed to current trade

²¹ Some U.S. labor unions opposed the NAFTA outright and no matter what its content might be (e.g., International Union of Electrical Workers). William H. Bywater, response to question from Senator Dodd during hearings on "Issues Relating to a Bilateral Free Trade Agreement with Mexico," Subcommittee on Western Hemisphere and Peace Corps Affairs, Committee on Foreign Relations, U.S. Senate, March 14, 1991, Committee on Foreign Relations print (Washington, DC: Committee Print, 1991), p. 59.

²² "AFL-CIO Demands Guaranteed Funding for Trade Adjustment Assistance," Inside U.S. Trade, September 4, 1992, p. 8.

arrangements -- most particularly the maquiladora program -- which it alleged have already caused up "hundreds of thousands" of U.S. workers to lose their jobs.²³ The NAFTA, they predict, will only worsen and accelerate these job losses. Most often cited was an Economic Policy Institute study, a union-funded Washington "think tank", that predicted additional U.S. job losses of 550,000 from the NAFTA.²⁴

In addition, labor criticized estimates of U.S. export-related job expansion as optimistic if Mexican wages do not rise to create a large middle class consumer market. The unions claimed that, unless Mexican workers are permitted to participate in unions that are free of the kind of government control which has suppressed Mexican wages -- i.e., the collective bargaining system functions -- Mexican workers will continue to be paid subsistence wages for a generation or more. The NAFTA will not substantially boost U.S. exports because the vast majority of Mexicans -- 75 out of 85 million consumers, according to the AFL-CIO -- are and will remain too poor to purchase U.S. goods.²⁵ Any profit realized from the NAFTA will have to go towards paying off Mexico's massive debt -- 40 percent of Mexico's export earnings must be used to service its

²³ Ibid., p. 4.

²⁴ Raul Hinojosa-Ojeda, U.S. Jobs and the Mexico Trade Proposal, Economic Policy Institute, May 2, 1991.

²⁵ Donahue, 2/21/91,p. 8.

\$95 billion debt²⁶ -- not towards improving Mexican wages and working conditions.²⁷

Because Mexican wages will not rise, unions predicted that the NAFTA would not reduce illegal immigration of Mexicans to the United States.²⁸ The kinds of jobs the NAFTA will create in Mexico will not be the kind that will create the incentive to stay home, they argued,²⁹ and massive unemployment in Mexico's agriculture sector will send many Mexican workers north.

The unions also argued that the NAFTA would result in downward pressure on U.S. wage rates.³⁰ It would permit companies to exert undue leverage in collective bargaining by threatening to move to Mexico "where wages are cheap, benefits scarce, child labor unrestricted, and unions are controlled by the government."³¹ "No

²⁶ AFL-CIO, "Exploiting Both Sides: U.S.-Mexico Free Trade," February 1991, p. 4.

²⁷ New York State Senate Democratic Task Force on the U.S.-Mexican Free Trade Agreement, "Free Trade for Whom? The Impact of the U.S.-Mexican Free Agreement on Labor, The Environment & Economic Development In New York State," A Report To Congress, August 1992, p. 6.

²⁸ This conclusion would seem to be contradicted by the very EPI study so frequently quoted by labor representatives. The 550,000 projected job "losses" were in fact expected declines in emigration to the United States, which the authors of the study forecast would result as the Mexican economy grew, opening new job opportunities in Mexico.

²⁹ "U.S. labour fears Mexican role in the revolution," Financial Times, June 26, 1992, p. 6.

³⁰ Owen Bieber, President, United Auto Workers in testimony January 17, 1992 before the House Education and Labor Committee on NAFTA negotiations and the American Jobs Protection Act (HR 3878), quoted in Daily Executives Report, No. 13, January 21, 1992, p. A-11.

³¹ New York State Senate, op. cit., p. iv, 5-6.

matter how productive, U.S. workers cannot compete with labor costs of less than \$1.00 an hour."³²

b. Labor, Health and Safety Standards

The NAFTA will eliminate what little wage and social protections regulations now exist in Mexico, and lower those in the United States, the unions charged. U.S. labor argued that, while on paper Mexico has progressive labor laws, in practice those laws are not adhered to.³³ In general, labor rights in Mexico "are severely restricted," and there is "almost no real respect for the basic rights of workers."³⁴

A sophisticated carrot and stick policy keeps Mexican trade union activity within narrow boundaries prescribed by the state party, despite reform efforts within the unions themselves. The carrot is the patronage used to incorporate the official trade unions into the ruling party. This has compromised the independence of the official trade unions and kept them isolated from the rank and file. The stick is the repression of independent organization and strike activity. Although the rights to associate, organize and bargain are guaranteed in the constitution, the federal and state boards of conciliation and arbitration are allowed such latitude in determining whether unions are legal or whether strikes are justified, that in fact, relatively few legal strikes take place. When 'illegal' strikes do occur, they are suppressed with massive force, including the military.³⁵

³² Anderson, June 28, 1990, op. cit.

³³ Harvey, op. cit., pp. 5-6.

³⁴ Ibid.

³⁵ Ibid.

As a consequence of the NAFTA, enforcement of U.S. labor and safety laws will decline, labor predicted. The unions are "the driving forces behind the development, lobbying and enforcement" of U.S. labor laws.³⁶ But under the NAFTA, "union membership will decrease since most of the jobs lost to Mexico involve unionized industries."³⁷ With diminished union power will come diminished capacity to insist on enforcement of U.S. labor and safety laws.

c. Standard of Living

Labor also predicted that the NAFTA would render American workers even more helpless to influence their lives and economic futures, further divide American society into extreme economic classes, and, indeed, even threaten American democracy. Mexico's "single comparative advantage ... the poverty of its citizens and their willingness to work for subsistence wages... threatens one of the essential pillars of the American economy," the high income levels of U.S. workers that lead to a high standard of living.³⁸

Unregulated free trade will pull the rich and the poor in America further apart. It will mean the definitive end of the American Dream, of the shared conviction that each individual, through effort and determination can achieve social and economic success. As the upper tiers of society try to wall themselves off from the frustrations of workers on the margins of society, it may also threaten U.S. traditions of democracy and individual rights.³⁹

³⁶ New York State Senate, op. cit., p. 3

³⁷ Ibid.

³⁸ Anderson, June 28, 1990, op. cit., p. 5.

³⁹ Harvey, op. cit., p. 8.

d. Environment

The unions charged that significant gaps exist in the scope of Mexico's environmental protection laws and, where they exist, enforcement is lacking. For example, Mexico does not regulate hazardous wastes from "cradle to grave", as required in the United States; Mexico does not have laws requiring notification of pesticide applications to workers or residents; regulations to protect workers from exposure to toxic chemicals are lacking; and no law exists requiring industries to report their chemical discharge.⁴⁰ In addition, chemicals banned or strictly regulated in the United States are widely used in Mexico. The unions adopted environmentalists' characterizations of the maquiladoras as "a showcase of environmental pollution" that results from "unregulated industrial development", a "sink hole of abysmal living conditions and environmental degradation", and a "2000-mile long Love Canal". These horrible conditions would be indirectly transferred to American consumers and workers, as infected products imported from Mexico were consumed in the United States, and lower environmental standards in Mexico forced U.S. standards down to the lowest common denominator.

e. Other Effects

In addition to the decline in membership and its weakening effect on U.S. labor's influence with management, labor also recognized that the NAFTA would further integrate the Mexican and U.S. labor forces, with the result that company-union relations in

⁴⁰ New York State Senate, op. cit., p. 19.

the United States would affect workers in Mexico, and vice versa: "When a company breaks a strike in Tijuana, wages will be affected in places like Flint and Detroit."⁴¹

The unions in the United States went to considerable lengths to avoid framing the battle over NAFTA as a war between Mexican and U.S. workers. "I want to make clear that the [United Automobile Worker's] opposition to a free trade deal with Mexico as approached by this administration does not mean that we are at odds with Mexican workers."⁴² Many unions, the AFL-CIO included, have longstanding ties with Mexican unions.⁴³ "Many members have told me that the AFL-CIO does not want any agreement in Mexico. Let there be no mistake; the AFL-CIO is internationalist. We favor stronger ties -- economic, social, political, and cultural -- among the Nations of North America."⁴⁴ "And the AFL-CIO is not saying, 'We shouldn't have an agreement,' the question is what kind of agreement

⁴¹ "California labor expert" Harley Shaiken, quoted in Lippert, John, "U.S. Unionists Get Eye-Opening Tour of Maquiladora Plants," The Journal of Commerce, June 23, 1992, p. 12A.

⁴² Don Stillman, Director, International and Government Relations, United Auto Workers, testimony before the Subcommittee on Western Hemisphere and Peace Corps Affairs, Committee on Foreign Relations, U.S. Senate, March 14, 1991 (Washington, DC: Committee Print), p. 58.

⁴³ Thomas R. Donahue, Secretary-Treasurer, AFL-CIO, testimony before the Subcommittee on Western Hemisphere and Peace Corps Affairs, Committee on Foreign Relations, U.S. Senate, March 22, 1991 (Washington, DC: Committee Print), p. 65.

⁴⁴ Statement of Robert McGlotten, Director of Legislative Department, AFL-CIO, before a Joint Hearing of the Subcommittee on Labor-Management Relations and the Subcommittee on Employment Opportunities of the Committee on Education and Labor, House of Representatives, 102nd Congress, 1st session, Hearing on Implication for Workers of the Fast Track Process and the Mexican Free Trade Agreement," April 30, 1991 [hereafter, "Joint Education and Labor Hearing"].

we should have and who is going to be involved in negotiating that agreement..."⁴⁵

The unions insisted that any trade agreement negotiated between the United States and Mexico should protect the interests of U.S. workers (their jobs, wage levels and the American standard of living). Therefore, the NAFTA should include provisions that would reduce the incentive for U.S. corporations to transfer production to Mexico. The Agreement should protect Mexican workers' rights, including the freedom of association, and the right to organize and bargain collectively; require strong Mexican workplace and health and safety standards; set minimum Mexican wage guarantees; and eliminate child labor in Mexico. The NAFTA should include provisions that address environmental degradation along the border and border infrastructure issues, and provide funds for increased enforcement of environmental laws and regulations in all three countries. The Agreement must protect import-sensitive U.S. industries, and prevent Mexico from serving as a low-wage export platform by non-NAFTA countries by including strong rules of origin with 80 percent regional content requirements, and eliminate duty drawback programs. In addition, the U.S. should provide additional debt relief for Mexico to reduce the pressure on Mexico to export. "Mexico needs significant debt relief, so it can invest in its own future; foreign aid, so it can improve standards and enforcement; development planning and efforts to raise the wages

⁴⁵ Robert M. McGlotten, Director, Department of Legislation, AFL-CIO, responding to question of Congressman Perkins during "Joint Education and Labor Hearing", *ibid.*, p. 24.

and living standards of Mexicans; and efforts to correct the environmental degradation of the border area."⁴⁶

2. Activities

Organized labor fought the NAFTA on several fronts. First, the unions launched a campaign to defeat "fast track", the process by which the Congress reviews and approves or disapproves selected trade agreements.⁴⁷ Second, they enlisted their Congressional allies to pressure the Administration to meet their demands. Third, they formed alliances with environmental and consumer groups. Fourth, they worked with U.S. negotiators using the advisory committee process. And finally, U.S. unions joined with their Canadian counterparts to build opposition to the NAFTA within Mexican labor unions, environmental and consumer groups.

a. Fast Track

Labor took its first shots at the NAFTA in 1990 when the President announced that work would begin toward the goal of reaching a bilateral FTA agreement with Mexico. Labor thought that it could have the greatest impact on the scope of the Agreement if it were not negotiated under "fast track" rules, since the unions have much greater influence over Congress than the Bush or Reagan

⁴⁶ AFL-CIO, "Exploiting Both Sides: ...", op. cit., p. 7.

⁴⁷ The so-called "fast track" authority is a special authority granted by the U.S. Congress to the President to negotiate a trade agreement and to submit it to Congress with implementing legislation. The two houses of Congress have to vote up or down on the agreement within 90 legislative days (which can stretch as long as eight calendar months) of receiving it, with no amendments allowed.

Administrations: "...this administration pays scant attention to the concerns of the AFL-CIO."⁴⁸

The unions knew that their only hope for significantly shaping the negotiating agenda was if the Congress were intimately involved in the negotiating process. "Fast track", they argued, would "seriously limit both public and congressional involvement in discussions with Mexico..."⁴⁹ But if the talks with Mexico took place outside of fast track, there would be

... enough opportunity to come [to Congress] and testify on the issue, there is a mark-up, there's an opportunity to sit and lobby members of Congress about the issue, about the five issues or six issues or seven issues [that labor cares about] -- that doesn't exist in Fast Track.⁵⁰

Outside fast track, "Congress will be able to correct [the Agreement] with full discussion."⁵¹

Given labor's greater influence over the Congress, denial of "fast track" authority would also have meant that labor would have been better able to control the content of the Agreement.

...[W]hen we lobby Congress, when anyone lobbies the Congress, we lobby with you gentlemen and you women who are sitting

⁴⁸ William C. Doherty, Executive Director, American Institute for Free Labor Development, remarks to conference, "Mexico and the United States: Converging Destinies," sponsored by the American Foreign Services Association, The Council of the Americas, The American Chamber of Commerce of Mexico, and Southwestern Bell, Washington, April 5, 1991, p. 12.

⁴⁹ AFL-CIO, "Exploiting Both Sides ...", op. cit.

⁵⁰ Robert M. McGlotten, Director, Department of Legislation, AFL-CIO, responding to question of Congressman Perkins during "Joint Education and Labor Hearing," op. cit., p. 25.

⁵¹ AFL-CIO, "Exploiting Both Sides...", op. cit.

there. What do we do in Fast Track? Who do we lobby? Is it Carla Hills? Is it somebody from the Labor Department? Some unhidden person? It's somebody who I don't know; somebody who we don't see. So, obviously, we don't have the same effect as lobbying you face-to-face. That is the very, very vital difference in terms of dealing with Fast Track and a regular process that allows us to get at these issues, which are thorny issues.⁵²

Therefore, defeat of fast track, not of the negotiations themselves, was organized labor's overriding objective. But it lost badly, by a 40-vote margin, for two reasons. First, most Congressional members wanted to extend fast track for the Uruguay Round, and since the NAFTA and Uruguay Round extension requests were a package deal, the extension was granted primarily to ensure that the Round could go forward.

Second, the President made a number of commitments to get fast track, commitments which satisfied enough Democratic "swing" votes to win approval. In lobbying for extension of fast-track negotiating authority, the Administration promised that any trade negotiations would focus on the need to facilitate adjustment for workers whose jobs disappear as a result of an agreement with Mexico. The Administration promised to work with Congress either to beef up existing worker adjustment programs or to develop new ones to meet the challenge of an Agreement that included Mexico. Specifically, the Administration promised that it

was firmly committed to a worker adjustment program that is adequately funded and ensures that workers who may lose

⁵² Robert M. McGlotten, Director, Department of Legislation, AFL-CIO, responding to question of Congressman Martinez during "Joint Education and Labor Hearing," op. cit., pp. 27-28.

their jobs as a result of an FTA with Mexico will receive prompt, comprehensive and effective services. Worker adjustment services, whether provided through the improvement or expansion of an existing program or through the creation of a new program, should be targeted to provide dislocated workers with appropriate services in a timely fashion. ...Any needed changes to U.S. law to implement such a plan should be in place by the time the agreement enters into force and could appropriately be addressed in legislative implementing a NAFTA.⁵³

The Administration also promised that it would "pursue bilateral cooperation on labor issues with Mexico through the framework of the existing U.S.-Mexico Binational Commission," and sign a Memorandum of Understanding that would provide a

framework for mutual cooperation between the Department [of Labor] and the Secretariate [of Labor and Social Welfare in Mexico] in the areas of health and safety measures; general work conditions, including labor standards and their enforcement; procedures for resolution of labor conflicts; labor statistics; and other areas of concern to the United States and Mexico.... We intend to pursue work under the MOU and in the Working Group on labor under the BNC in parallel with our negotiations of an FTA.⁵⁴

Finally, part of the deal with U.S. labor groups in exchange for keeping labor issues out of the text of the NAFTA was for the U.S. and Mexico to agree on labor practices that would create a common code for enforcing labor regulations on both sides of the border.

Within weeks of the President's promises in his May 1 "action plan" to address labor and environmental concerns during the

⁵³ "Response of the Administration to Issues Raised in Connection with the Negotiation of a North American Free Trade Agreement," Transmitted to the Congress by the President on May 1, 1991, p. 6-7.

⁵⁴ Ibid., p. 9.

negotiations, the House passed, by a vote of 329 to 85, a resolution (H.Res.146) sponsored by Majority Leader Richard Gephardt (D-MO) and co-sponsored by Cong. Dan Rostenkowski (D-IL) and Sander Levine (D-CA) to "make clear what Democrats expected from the President": (1) the implementation of the NAFTA must be accompanied by an effective, adequately-funded worker adjustment program, developed by the Administration and the Congress; and (2) the Administration must develop a joint program that addresses border environmental problems.

b. Worked with the Hill

Despite their failure at getting the Congress to disapprove "fast track" negotiating authority, labor had considerable success in getting many House and Senate members to exert pressure on the Administration. In part this success was owed to the fact that the Agreement was negotiated during a tough election year for many Congressional representatives, and may not be replicated in future FTA agreement negotiations. In part, the success reflects the unions' ability to illustrate their predictions so compellingly with the maquiladora experience. Congressional visits to the border region easily showed environmental degradation and poor working conditions, many in American plants located in Mexico, that enabled the unions easily to provide evidence that trade liberalization with Mexico was already having undeniable dire consequences not only for Americans but also for Mexicans. NAFTA supporters' arguments that the maquiladora experience was not likely to be replicated under the NAFTA was too powerful and fell on deaf ears in the public and therefore the Congress.

In no time at all, Congressmen and women were rushing to introduce legislation incorporating various items from labor's agenda. For example, Congressmen George Brown (D-CA) sponsored two bills that would make systematic violations of labor and environmental standards an actionable unfair trade practice. One bill, the Social and Environmental Charter Act of 1992, would be directed at the NAFTA. The other, the Western Hemispheric Social and Environmental Charter of 1992, would force the same focus on trade agreements conducted under the auspices of the Enterprise for the Americas Initiative. A continental charter would include such principles as freedom of association and full public disclosure of toxic and hazardous substance discharges. The bills would place labor and environmental issues on the U.S. agenda as specific, formal trade objectives.

Numerous Congressional representatives attempted to address labor concerns over adjustment to import competition from Mexico. Sens. William Roth (R-DE) and Daniel Patrick Moynihan (D-NY) co-sponsored legislation (S.1894) that would allow workers whose jobs move to Mexico to be eligible for the full range of benefits under Trade Adjustment Assistance programs.⁵⁵ Income maintenance should be provided to workers enrolled in training. Legislation introduced by William D. Ford (D-MI) (H.R. 3878) would require employers to provide extended health insurance, expanded pension benefits and substantial severance benefits to workers whose jobs

⁵⁵ "Senate Finance Members Introduce Bill to Assure Adjustment Benefits under NAFTA," Daily Executives Report, No. 211, October 31, 1991, p. A-7.

are eliminated when a company shifts production to a low-wage, low workplace-standard country.

Congressional representatives also sought to provide for certain funding for adjustment assistance. Senator Roth was one of the first to propose a "de minimis" uniform import fee be assessed at the U.S.-Mexico border to pay for the program.⁵⁶ The idea of a cross-border import fee gained momentum as the negotiations progressed. Senate Finance International Trade Subcommittee Chairman Max Baucus (D-MT) and House Majority Leader Richard Gephardt (D-MO) endorsed similar fees.

Some Congressmen even sought to have NAFTA removed from "fast track." Congressman Jim Jontz (D-IN) and 47 other members of the House asked Gephardt to challenge the Administration to live up to the commitments it made when it sought extension of fast-track negotiating authority. If the Administration does not respond to that challenge, Gephardt should "help us take NAFTA off of the fast track."⁵⁷

Labor's agenda has perhaps been most faithfully advanced by Congressman Gephardt, one-time contender for the Democratic Presidential nomination, in his capacity as House Majority Leader. In announcing his suggestions for the scope and content of the NAFTA, Gephardt insisted "...[W]e must focus not just on the needs of

⁵⁶ Ibid.

⁵⁷ "Mexican Groups Call for Halt to NAFTA Talks, Other Groups Vow Fight," Inside U.S. Trade-Special Report, July 28, 1992, p. S-3-4. Jontz is the sponsor of H.R. 4269, which proposes taking NAFTA off "fast track" and to allow amendments in the area of labor and environmental standards, worker adjustment, rules of origin and dispute settlement.

America's corporations, but on the needs of workers who were left behind in the 1980s, and on the quality of life and standard of living of citizens on both sides of the border... [T]he goal of marrying diverse economies ... requires agreement on a broad range of issues that have not typically been at the center of traditional trade negotiations."⁵⁸ Gephardt suggested that a transition framework for the NAFTA ensure adequate funds for worker adjustment and infrastructure/environmental improvements. He urged that four major provisions be included as part of the NAFTA implementing legislation, and not merely as a parallel commitment:

(1) the adoption of a cross border transaction tax on U.S.-Mexican trade to finance worker training, infrastructure development and environmental protection in both countries;

(2) the creation of a labor adjustment program that would respond both to short-term and long-term job losses attributable to NAFTA;

(3) environmental, health and safety protections and laws, the violation of which would be an unfair trade practice actionable under U.S. law; and

(4) a code of conduct for maquiladora industries, requiring the payment of a "decent wage", defined as wages that will allow these workers "to enjoy dignity and hope for the future."⁵⁹ Such a code will also require that employers address basic health and safety issues and attend to the basic needs of their workers. The U.S. should seek to negotiate with Mexico an

⁵⁸ Richard A. Gephardt, Congressman from Missouri, "The Status of the North American Free Trade Agreement," remarks to the Institute for International Economics, July 27, 1992.

⁵⁹ Ibid.

increase in the Mexican minimum wage. Violations of the code should be actionable unfair trade practices.⁶⁰

Sen. Lloyd Bentsen (D-TX) and Arkansas Governor and Democratic Presidential candidate Bill Clinton released statements supporting Gephardt's demands. Both stressed the central importance of labor and environmental issues in getting NAFTA through Congress.

So far, none of these proposed pieces of legislation has been enacted. But they have served their purposes of warning the Administration that failure to address labor concerns threatened final approval of the NAFTA, even under "fast track". And labor pressure won endorsement from future-President Clinton for important items on labor's agenda: ensuring that the NAFTA specifically addressed, in some way, environmental protection and worker rights enforcement.

c. Formed alliances

The unions recognized early on that they were not going to be successful in opposing the NAFTA if they focused only on job and wage arguments. Given the fear of the "protectionist" label among Congressional members, additional ammunition was warranted. So they teamed up with environmental and consumer groups who also feared the impacts of the NAFTA.

The labor/environment/consumer coalition opposed to the NAFTA worked hard on the House. It got 200 signatures on a resolution (H.C.R. 246) introduced in November 1991 by Congressman

⁶⁰ "Gephardt Favors Transaction Tax to Finance NAFTA Framework for Transition," Daily Executives Report, July 28, 1992, p. G-5-6.

Henry Waxman and Congressman Gephardt, which warns they will not support a NAFTA that jeopardizes U.S. health, safety, labor or environmental laws. A broad coalition of citizen's groups in the U.S. called Mobilization on Development, Trade, Labor and the Environment (MODTLE) pressed for environment, labor rights, human rights, agriculture, funding and enforcement mechanisms and found a receptive ear in the House Fair Trade Caucus. The Caucus and the House Education and Labor Committee held a series of field hearings focusing on the job loss effects of a NAFTA. MODTLE and its counterparts in Mexico met with USTR Carla Hills and Mexican Commerce Secretary Serra Puche to press their concerns. MODTLE spelled out measures that "must be incorporated into a NAFTA" if it is to lift the living standards of the 380 million people in the three nations. "If the agreement fails to include these measures, it should be opposed."⁶¹

Labor, consumer and environmental groups in the United States, Canada and Mexico urged their respective governments to include provisions important to labor and environmentalists in the NAFTA. The Action Canada Network and MODTLE, working with counterparts in Mexico, including The Mexican Action Network on Free Trade, asked their governments to convert the NAFTA into a "Continental Development Agreement". The Agreement should provide for adjustment assistance, equalization of work conditions, health, education, salaries and other conditions of living to the

⁶¹ "MODTLE Report on NAFTA," reprinted in Inside U.S. Trade - Special Report, February 21, 1992, p. S-2.

highest levels and standards; respect for the collective rights of workers, including freedom of association, collective bargaining and the right to strike; and increased minimum wages in Mexico.

The coalitions contacted churches, local labor unions, farm groups, and local environmental and consumer organizations to create a new awareness of the Agreement's costs and to suggest that people write their representatives. They also sought to make the NAFTA an election-year issue.⁶² The International Brotherhood of Teamsters and the AFL-CIO launched in early September the "California Trade Caravan" to tour California for two months building public opposition to the NAFTA. The Caravan includes environmental and student groups, representatives from Mexican political parties and Mexican trade unions, and Asian and Latino community group representatives. They are publicizing the unions' position that the NAFTA will cause job losses, preempt municipal, state and federal laws, and increase unregulated investment in the border area.⁶³

d. Advisory Committee Process

Labor advised the Administration on the NAFTA negotiations through the Labor Advisory Committee for Trade Negotiations and Trade Policy (LAC).⁶⁴ In addition, an advisory group of union

⁶² "Mexican Groups Call for Halt to NAFTA Talks, Other Groups Vow Fight," Inside U.S. Trade-Special Report, July 28, 1992, p. S-3.

⁶³ "AFL-CIO Demands Guaranteed Funding for Trade Adjustment Assistance," Inside U.S. Trade, September 4, 1992, p. 9.

⁶⁴ The LAC is a 90-member group that is one of the private sector advisory committees established by Congress and chaired by the USTR and the Labor Secretary. Generally the LAC meets once or twice a year to discuss a range of trade-policy issues.

members meets with officials from the Department of Labor to give views and advice on how to improve that relationship between the U.S. Department of Labor and the Mexican Secretary of Labor and Social Welfare. Unlike the response received from the Congress, however, labor felt that its effect on the actual negotiations through the advisory process was minimal. The Labor Advisory Committee issued a scathing condemnation of the elements of the NAFTA in its required report to the Congress that accompanied the Administration's notification to Congress that the Agreement had been finalized.⁶⁵

e. Joint Efforts with Canadian and Mexican Labor

By claiming the NAFTA will lower wages and living standards on both sides of the border and worsen the exploitation of Mexican labor, U.S. labor groups hoped to weaken some of the support for the Agreement, primarily that of the Confederacion de Trabajadores de Mexico (CTM).⁶⁶ Frequent meetings were held with Mexican labor and citizens groups, explaining U.S. and Canadian labor's view of the potential the NAFTA held for the continued exploitation of Mexican labor. The AFL-CIO sponsored educational seminars and meetings

The group meets generally at the level of union presidents. A steering committee of the LAC meets monthly at the Department of Labor, with participation from USTR or any other agency, to maintain an ongoing dialogue on trade issues and on the NAFTA in particular.

⁶⁵ Labor Advisory Committee for Trade Negotiations and Trade Policy, "Preliminary Report: Labor Advisory Committee on the North American Free Trade Agreement," submitted to the President of the United States, the United States Trade Representative, and the Congress of the United States, September 16, 1992.

⁶⁶ "U.S.-Mexico Pact on Truckers' Licenses Endangers Californians, Unions Charge," Daily Executives Report, June 19, 1992, No. 119, pp. A-29-30.

with labor groups in Mexico to spread the message and to solicit international labor solidarity. High-ranking AFL-CIO officials met with Fidel Valazquez, leader of the CTM, and representatives from to other Mexican labor unions to discuss the NAFTA.⁶⁷ But the CTM refused to use the change in U.S. Administrations as an excuse to seek renegotiation of the Agreement; the other unions, however, were prepared to endorse major changes.⁶⁸ This significantly cooled the relationship between the AFL-CIO and the CTM, and warmed that with the other unions, which are not nearly as large or politically powerful.

3. Impact on the Agreement

In contrast to the IFTA and the CFTA experiences, the unions have had a significant impact on the content of the NAFTA. While the Agreement does not address many of their minimum requirements regarding guarantees for rights to organize, minimum wages, and other broad labor issues, for the first time, a free trade agreement will include environmental provisions, most likely amplified by the implementing legislation, and an adjustment assistance program will also be an integral part of implementing legislation.

Initially, the adjustment assistance debate pitted the Administration, advocating the Economic Dislocation and Worker Adjustment Assistance Act ("EDWAA", or Title III of the Job Training

⁶⁷ Tim Shorrock, "Mexican Labor Leader Denounces Trade Pacts," The Journal of Commerce, February 22, 1993, p. 10A.

⁶⁸ Ibid.

Partnership Act), against the unions, which insisted that an improved Trade Adjustment Assistance (TAA) program (which the Administration has long sought to dissolve) as the best vehicle. The unions suggested several changes be made to the TAA program:

- (1) Broaden TAA's eligibility criteria and improve its certification, eligibility and appeals procedures. Specifically, the TAA should contain an automatic trigger to start assistance when jobs are exported; the definition of increased imports that lead to job loss must account for increased imports of substitute products; TAA certification should also cover related jobs, such as truck drivers or warehouse workers that would be affected if a factory closes; and TAA should allow for industry-wide certification.
- (2) Make TAA benefits an entitlement so as to avoid budget cutbacks.
- (3) Increase the duration of benefits by permitting adjustment allowance payments to supplement unemployment insurance instead of kicking in only after the insurance has run out. In addition, these extended benefits should be payable in some case for up to two full years for workers in training, compared to the current duration of 52 weeks.
- (4) Incorporate targeted job creation into the TAA program, focusing on jobs which serve national priorities such as mass transit/high speed rail or high definition television.
- (5) Provide funding for feasibility studies and technical assistance to retain jobs by conversion to new product lines.

Funding for a strengthened program could come from elimination of both the foreign tax credit and deferral of taxes on non-repatriated

profits. Imposition of special alternative minimum tax on multinational corporations could be a source of revenue as well.⁶⁹

As the NAFTA negotiations proceeded and Congressional pressures increased, the Administration gradually backed down from its insistence that EDWAA was adequate to the task. Some Administration officials began to suggest that an EDWAA/TAA hybrid might be acceptable. To this end, the Administration consulted with labor, business and trade groups and met with Congressional staff to determine what would have to be included in a final adjustment program. The Administration solicited input from 175 groups in the labor, business, policy and research sectors regarding the likely impact of the NAFTA and suggested scope, timing, eligibility, benefits, and oversight of an adjustment program. The Administration received 46 responses (about one third from labor groups). A summary of the responses was sent to the Congress care of House Majority Leader Gephardt.

The Labor Department had hoped to use the responses to fashion an adjustment program; however, on August 24 President Bush used a campaign stop in Union, New Jersey to announce a \$10 billion, five-year job training program which combined EDWAA and TAA. At least \$335 million a year and as much as \$670 million a year would be targeted for job losses resulting from the NAFTA. Labor Secretary Lynn Martin said the adjustment plan proposal was offered as a basis for further discussion with the Congress and

⁶⁹ "Administration Begins Considering Worker Adjustment Program for NAFTA," Inside U.S. Trade, Vol. 10, No. 26, June 26, 1992, pp. 18-19.

others "as a framework for shaping a program which would fully meet the needs of NAFTA workers."⁷⁰ The unions immediately criticized the program, charging that the plan would never be implemented. AFL-CIO President Lane Kirkland characterized the plan as "a campaign gimmick" that "will die on the vine if [Bush] is reelected."⁷¹ Kirkland charged that the Bush Administration's commitments on adjustment assistance were suspect given the Administration's repeated efforts to phase out TAA.⁷²

Even though pro-NAFTA groups worked hard to discredit labor-funded job-loss estimates and to dispel the negative images evoked by the maquiladora analogy, the fear that the NAFTA would hurt important segments of American employment (a fear fanned by the press on many occasions) forced the Congress to react in ways that were helpful to labor. The public generally, and consequently politicians including candidate Clinton, did not dismiss the job loss estimates because they understood that the underlying assumptions were suspect, or that the maquiladora analogy was incorrect or inappropriate. What mattered was that groups they trusted -- environmental protection groups and consumer advocates like Ralph Nader -- opposed the NAFTA as the Bush Administration intended to negotiate it. Coupled with these important alliances, the country was in the midst of a congressional and presidential election

⁷⁰ Lynn Martin, Secretary of Labor, testimony before the Senate Committee on Finance, September 10, 1992, p. 24.

⁷¹ "AFL-CIO Demands Guaranteed Funding for Trade Adjustment Assistance," Inside U.S. Trade, September 4, 1992, p. 8.

⁷² Ibid.

campaign. As a result labor succeeded in winning concessions that otherwise would have been harder won, if won at all.

B. Canadian Labor Reaction and Role

Canadians went into the NAFTA negotiations with a bad taste in their mouths from the CFTA. Four years after concluding the CFTA, Canada remains deeply divided over its benefits, with recent polls showing that 60 percent of the population wants it changed. Opposition in Canada continued to be strongest against the CFTA rather than the NAFTA, largely because exports to Mexico accounted for well under 3 percent of total Canadian exports and Canadian investment in Mexico represented only about 1.4 percent of total foreign direct investment in Mexico.⁷³

1. Arguments

Canadian labor's opposition to the NAFTA followed three general themes: (1) the CFTA played a major role in keeping the Canadian economy mired in recession; the NAFTA will only make a bad situation worse; (2) Canada was at the mercy of the U.S. negotiating agenda and timing needs; and (3) the negotiating agenda was too narrow and therefore not in the real interest of Canadian workers and the Canadian economy.

a. Impact on the Economy

The Canadian Labour Congress blames the CFTA for the country's sharp recession and the loss of as many as 350,000 jobs

⁷³ Canadian Labour Congress, "Critical Notes on the Economics of the Proposed North American Free Trade Agreement (NAFTA)", A report from the Canadian Labour Congress [hereafter, "Critical Notes"], p. 10.

(more than 1 in 7 jobs) since the CFTA went into effect.⁷⁴ While both critics and supporters agree that it is impossible to distinguish accurately between the effects of free trade and the Canada-wide recession in assessing the last three years' manufacturing job losses,⁷⁵ the CLC insists that the CFTA has been "a significant, independent cause of the current economic crisis."⁷⁶ Canadian labor believes the CFTA encouraged plant relocations from Canada to southern U.S. states that have low wages and right-to-work laws and laxer enforcement of health and safety and labor standards.⁷⁷

*On all these counts, the Canadian experience with the FTA stands as a clear warning to the U.S. of the potential impacts of a NAFTA with Mexico. Wages and social standards clearly differ much more between the U.S. and Mexico than they do between Canada and the U.S.*⁷⁸

The CLC predicted that the NAFTA would worsen the economic damage wrought by the CFTA by triggering an even more devastating restructuring of Canadian industry than the CFTA. The NAFTA will set off another wave of restructuring that will result in

significant additional job losses in Canada and further pressures to lower Canadian labour, social and environmental

⁷⁴ Robert White, President, Canadian Labour Congress, Letter to Brian Mulroney, July 16, 1992, reprinted in Inside U.S. Trade, July 31, 1992, pp. 13-15 [hereafter, "White Letter"]; Canadian Labour Congress, "Critical Notes," p. 13.

⁷⁵ William Claiborne, "In Canada, Does Free Trade Cut Jobs or Boost Sales?," The Washington Post, May 18, 1992, p. A17.

⁷⁶ Robert White, "White Letter", op. cit.

⁷⁷ Canadian Labour Congress, "Critical Notes", op. cit. (emphasis in original).

⁷⁸ Ibid.

standards. The major problem is not direct trade and investment links between Canada and Mexico, which are now very modest. The real problems would be the "second round" impacts on Canada of a further major shift of U.S. industries - like auto and auto parts, steel, clothing, textiles and glassware -- to Mexico.⁷⁹

It would leave Canada as a producer of resource and resource-based goods, with a significantly smaller manufacturing sector, they predict.

The NAFTA will also further erode Canadian welfare programs. "Intensified cost competitive pressures brought into being by a NAFTA would undermine what little is left of the Canadian welfare state, and bring us down to at least US standards."⁸⁰ This will happen because it is highly unlikely that Mexican wages will rise as a result of the NAFTA. Like their U.S. counterparts, Canadian labor argued that the Mexican political structure is not conducive to rising wages and living standards because the trade unions are intimately linked to the ruling party, the Partido Revolucionario Institucional (PRI), and there is currently only a very limited space for the exercise of basic labor and democratic rights.

b. Agenda

The CLC argued that Canada should not participate in the NAFTA negotiations because it cannot control the agenda for the negotiations nor can it protect itself from the U.S. agenda: greater

⁷⁹ Robert White, "White Letter", op. cit.

⁸⁰ Nancy Riche, Executive Vice-President, Canadian Labour Congress, Testimony before the Standing Committee on External Affairs and International Trade, House of Commons, "An Examination of the Canada-U.S. Mexico Trade Negotiations," September 28, 1990. See also Canadian Labour Congress, "Critical Notes," op. cit., p. 16.

access to the Mexican and Canadian markets. The CLC believed Canada was

not really in a position to appreciably shape the NAFTA process, which is driven by the changing relationship between the U.S. and Mexico. The fundamental fact of the matter is that if the U.S. and Mexico arrive at a mutually acceptable agreement, there will be a deal concluded between the two countries. Canadian participation is largely irrelevant to both the U.S. and Mexico...The Mexican market is of minimal importance to Canadian business... *Canadian participation in the NAFTA talks is basically for defensive purposes. This is, of course, no reason to participate at all if one does not believe that the FTA itself is worth defending.*⁸¹

c. Scope of Negotiations

Canadian labor was also careful not to frame its arguments as anti-Mexican labor. Instead, it argued that the NAFTA was not in the long term interests of Canadian, U.S. or Mexican workers. "We need to think through the basic elements of an alternative trade and development package which would serve the needs of all workers in North America and the hemisphere as a whole."⁸²

The terms of this continental integration must be fundamentally altered so as to secure benefits for Canadians generally, but also to reduce inequalities and increase living standards in all three countries. We believe an important first step in this direction is to cancel the FTA, not expand it to include Mexico.⁸³

⁸¹ Canadian Labour Congress, "Critical Notes", ibid., p. 10 (emphasis in original).

⁸² Ibid., p. 1.

⁸³ Ibid.

Instead, Canada should develop closer economic and social ties to Mexico by working through GATT and the United Nations for a charter of minimum labor and social standards based on ILO conventions, and establishing effective codes of conduct for multinational corporations. The CLC argues that the GATT is the preferred vehicle for developing trade rules "because it provides much greater space for governments to shape trade."

2. Activities

Canadian labor groups protested the NAFTA negotiations in several ways: they publicized their criticisms of the CFTA; they worked with U.S. labor groups to weaken Mexican labor's support for the NAFTA; and they worked with opposition groups in Parliament to force an election with NAFTA as a central issue.

a. Publicity

Canadian labor's efforts to publicize its assessment of the negative effects of the CFTA on Canada was successful, even though analysts admitted they could not distinguish jobs and sales lost to the recession from those lost from the CFTA. By the spring of 1992, public opinion polls showed as many as 75 percent of the public opposed both the CFTA and the NAFTA.⁸⁴ Most Canadians believe their country has suffered under the CFTA, and view Americans as the net winners. Two-thirds of those polled opposed the CFTA and thought it should be renegotiated.⁸⁵

⁸⁴ Alkman Granitsas, "Special Report: Progress Reported in NAFTA Talks at Montreal Ministerial Meeting," Inside U.S. Trade, April 13, 1992, p. S-1.

⁸⁵ "Poll: Majority of Canadians Oppose Trade Pact With US," Journal of Commerce, April 10, 1992.

b. Mexican Labor

Canadian labor met with its Mexican counterparts to describe Canada's experience with free trade with the United States. They emphasized the CFTA's impact on national treatment for foreign investors, its limitations on industrial policy, limitations on foreign ownership restrictions, energy sharing requirements, and other provisions Canadian labor thought Mexican labor would find distasteful. In addition, they described Canada's experience with the loss of jobs and the loss of sovereignty.⁸⁶

c. Parliament and the Provinces

Throughout the negotiations, the Canadian Labor Congress and the leading opposition party, the New Democratic Party, urged the Government to withdraw from the NAFTA negotiations. Similar positions were taken by the socialist governments in the provinces of Ontario and British Columbia. Audrey McLaughlin, leader of the NDP, and Mel Hurtig of the Council of Canadians insisted that the Government should not participate until the principle of a trilateral trade agreement had received full public debate in Canada. They suggested that the preferred route would be a general election on the issue of whether or not to negotiate a NAFTA and whether or not to retain the CFTA.

Even after the Agreement was announced, Canadian labor's allies in the Parliament and in the provinces continued to speak out strongly against the NAFTA. Liberal Party leader Jean Chretien complained that, among other deficiencies, the Agreement lacked an

⁸⁶ Riche, op. cit.

adjustment program for Canadian workers and firms, and did not include the Canadian proposal to apply trade sanctions to protect the environment.⁸⁷ NDP leader McLaughlin promised "to mobilize Canadians to speak out against the NAFTA and prevent this deal from becoming a reality."⁸⁸ McLaughlin predicted the NAFTA would reduce Canadian wages, cost hundreds of thousands of jobs, force Canada to compete with lower Mexican labor standards, and open Canadian social programs to pressure from the United States and Mexico.⁸⁹ Ed Philip, Ontario Minister of Industry, Trade and Technology, said the NAFTA did not go far enough to assure adequate labor standards in the three countries, and protested the lack of a worker adjustment program; David Zirnhelt, British Columbia's Trade Minister, complained that Canada had become a pawn in President Bush's reelection campaign.⁹⁰

The unions and their allies intend once again to make the NAFTA a political election issue in Canada, and to work to abrogate the CFTA as well.⁹¹ Prime Minister Brian Mulroney's ruling Conservatives once again are facing a tough re-election battle; national elections must be called no later than the fall of 1993.

⁸⁷ "Political Opposition to North American Trade Pact Mounts in Canada," Inside U.S. Trade, August 21, 1992, p. 5.

⁸⁸ Ibid.

⁸⁹ Ibid.

⁹⁰ Ibid.

⁹¹ "Mexican Groups Call for Halt to NAFTA Talks, Other Groups Vow Fight," Inside U.S. Trade-Special Report, July 28, 1992, p. S-3.

Approval ratings for the Mulroney Government hover in the single digit range.

3. Impact on the Agreement

Despite Mulroney's current unpopularity, Canadian labor has so far had relatively little impact on the substance of the NAFTA. The negotiations have proceeded, despite labor's demands that they stop pending a national referendum. In some cases, such as clarified auto rules of origin and the expansion of the cultural exemption, Canada has succeeded in "correcting" some of the ills of the CFTA. However, Canada is a long way from pulling out of the NAFTA, and even the CFTA.

C. Mexican Labor Reaction and Role

In contrast to their counterparts north of the Rio Grande, Mexican labor in general supported the negotiation of a NAFTA. The major Mexican labor unions saw Mexican workers as having everything to gain from greater access to the U.S. and Canadian markets. The Confederacion de Trabajadores de Mexico (CTM), the predominant trade union confederation in Mexico representing more than half of organized labor in Mexico,⁹² supported the negotiation of

⁹² About 35 percent (9.5 million) of the Mexican workforce (25-30 million) is unionized. In the industrial sector, excluding the maquiladoras, more than 90 percent of the workers are represented by unions (in the maquiladoras, only about 10-20 percent are unionized). (U.S. Department of Labor, "Labor Standards in Export Assembly Operations in Mexico and the Caribbean," June 1990.) The vast majority of Mexican trade unions is affiliated with the ruling PRI and tend to support the government and the PRI. Their freedom to maneuver is limited, since most union leaders are also PRI officials and may hold PRI elective office. (Gary Clyde Hufbauer and Jeffrey Schott, North American Free Trade: Issues and Recommendations (Washington, DC: Institute for International Economics, 1992), p. 125). The Congress of Labor, with about 8 million members, is an overall loose coordinating body grouping 36 PRI-affiliated labor confederations (including the CTM) and independent unions under its umbrella. The Congress represents about 85 percent of Mexico's union members. (U.S. Department of

an FTA agreement with the United States and Canada.⁹³ The much smaller Authentic Labor Front (FAT)⁹⁴ opposed the NAFTA.

1. Arguments

The CTM argued that the NAFTA would provide significant benefits to the Mexican economy.

...[W]e, the Mexican workers, offered President Carlos Salinas de Gortari our solidarity and support so that he could initiate negotiations on a free-trade agreement with the U.S. and Canada. We believe that this agreement can be instrumental in the modernization of the Mexican economy and in the reorganization of our productive sector, while at the same time creating well-paid jobs within our society.⁹⁵

Fidel Valazquez, head of the CTM, told *El Economista*: "The free trade pact will not resolve all problems of the workers, but

Labor, "Mexican Labor Trends: Annual Labor Report for Mexico for 1988 to Mid-1990," p. 4).

⁹³ While U.S. and Canadian unions often claim that the PRI controls the CTM, it is perhaps more accurate to characterize the relationship as one of mutual dependence. The CTM has been a strong supporter of the business sector and the ruling party, backing the ruling party in elections, supplying crowds for political rallies, and suppressing wage demands from its own members. The government needs this support and is cautious about implementing policies that might upset the union -- such as revising Mexico's Federal labor law, which makes it costly to dismiss staff, difficult to hire temporary workers, illegal to break strikes by taking on non-union workers, and forces companies to fire workers who are expelled from the union.

⁹⁴ The FAT represents 40,000 industrial and farm workers in Mexico, including several hundred employees of U.S. auto parts, shoe and textile companies. It is critical of the CTM, which it characterizes as dominated by the Mexican Government or businesses. Shorrock, op. cit.

⁹⁵ Fidel Valazquez Sanchez, General Secretary, Mexican Workers Confederation, "Mexican Labor Leader's Call for Partnership," The Wall Street Journal, May 3, 1991, p. A11.

constitutes a strategy to improve living standards, because undoubtedly new businesses will be established."⁹⁶

Mexican labor supporters argued that the NAFTA would permit all three countries to increase their international competitiveness at the same time it raised the standards of living. Specifically for Mexico, they suggested that further development of the Mexican economy fostered by the NAFTA would enable the country to "remain a nation at peace, ... politically stable..." and an exporter of goods, not workers.⁹⁷

Practically the only opposition comes from unions associated with the leftist Party of Democratic Revolution (PRD), such as the FAT, various ecologists and academics, and unions closely affiliated with U.S. and Canadian labor organizations. As already described, U.S. and Canadian labor groups attempted to convince Mexican labor, which they believed was unduly controlled by President Salinas through the PRI, that Mexican workers would not benefit from the NAFTA. They charged that issues related to environment, labor, migration and human rights have been guided by the effort to push the Agreement through the U.S. Congress, not by any genuine commitment on the part of the three governments to a social agenda.

The FAT took up their criticisms, albeit not until the Agreement had been concluded. The Executive Director of the union, Manuel Garcia, announced that the unions would work to oppose the

⁹⁶ Damian Fraser, "Mexicans fear pact depends on Bush's fortunes," Financial Times, August 14, 1992, p. 4.

⁹⁷ Sanchez, op. cit.

NAFTA. Singing from the AFL-CIO hymnal, Garcia said that the NAFTA "doesn't respond to social needs, but basically favors the interest of big business."⁹⁸ He charged that it is a tool of the Mexican Government and Mexican businesses to fuel exports needed to repay the Mexican debt. This need to export has already driven the Mexican Government to repress worker efforts to organize and to improve their working environments; the NAFTA will worsen the oppression, he believes. Garcia stated "[w]e can't support [NAFTA], not even its renegotiation."⁹⁹ Instead, the NAFTA should be replaced by a development pact that recognizes the inequality between the United States and Mexico.¹⁰⁰

2. Activities

Until very recently (in 1993), unions opposing the NAFTA have not been widely active; far more opposition activity has come from Mexican environmental groups. The Mexican Action Network for Free Trade promised that August 1992 would mark the beginning of a more widespread protest movement against the NAFTA in Mexico. The group said it was consulting with other allied groups, such as the Workers of Pemex, to broaden the scope of the opposition in Mexico.¹⁰¹

⁹⁸ Shorrock, op. cit.

⁹⁹ Ibid.

¹⁰⁰ Ibid.

¹⁰¹ "Mexican Groups Call for Halt to NAFTA Talks, Other Groups Vow Fight," Inside U.S. Trade-Special Report, July 28, 1992, p. S-3.

3. Impact on the Agreement

Perhaps more significant than Mexican labor's impact on the NAFTA's provisions has been NAFTA's impact on the Mexican labor. Already, the effect has been significant. The NAFTA has thrust Mexican labor practices and the union movement there into a spotlight that has revealed characteristics unfavorable by U.S. and Canadian standards. These flaws have become the object of U.S. Congressional concern, which in turn threatens to legislate forced change in Mexico.

In addition, companies located in Mexico that will be negatively affected by the NAFTA are already attempting to implement workplace changes that have forced at least two unions out on strike. While companies struggle to improve productivity to face competition they are already feeling from reduced trade barriers and subsidies, union leaders are fighting changes in work practices that give them power over management and sometimes over their own members.

The best example of these pressures is the recent strike at the Volkswagon plant in Mexico. VW is the largest seller of low-end cars in Mexico. Its workers are among the best paid, and its work practices the most rigid in the car sector. VW's workers are represented by a relatively independent union. However, NAFTA has forced VW's management to insist on workplace changes that ultimately resulted in a strike and company lock-out. NAFTA threatens VW with imports of low-end U.S.-made cars, and will force VW to meet higher North American content rules to be able to export tariff-free to the United States. To improve its

competitiveness, VW management decided to introduce "just-in-time" inventory methods with new German parts producers that will set up in Mexico. This would require changes in work practices: Japanese-style work groups and promotion schemes based on merit rather than seniority, already common practice in the "Big Three" US-owned car plants in Mexico. Just after an agreement was reached with the company's union, a dissident faction in the union went on strike. The dissident workers, apart from wanting to take over the union, were concerned about new work practices that they thought would diminish the power of shop stewards in the plant.¹⁰²

American labor groups view the VW strike as evidence that Mexican unions do not in fact represent the interests of their members. They hope that the bright light of scrutiny now focused on Mexican labor practices will keep abuses from recurring. In this sense, the NAFTA has already had a positive effect on Mexican labor.

III. Lessons for Future Free Trade Agreements in the Western Hemisphere

U.S. labor will continue to be strongly opposed to additional free trade agreements with other countries in the Western Hemisphere (WHFTAs) if they are similar in scope to the NAFTA. The AFL-CIO views the "Enterprise for the Americas Initiative" as

a continuation of these failed policies and from which organized labor both here and abroad have been effectively excluded. Labor's concern with trade matters has been ignored. U.S. labor is fully aware that these trade policies are being

¹⁰² "NAFTA sets Mexico on the path to industrial unrest," Financial Times, August 19, 1992, p. 5.

suggested by the same economic and political forces that brought us the destruction of the Air Traffic Controllers Union, denial of the right to strike through replacement worker laws, opposition to improved unemployment and trade adjustment assistance - to mention but a few of this and the previous Administration's policies toward labor.

Under these circumstances, it would be irresponsible on our part not to be suspicious or not to question where these policies are taking us.¹⁰³

That said, however, labor insists that it agrees that expansion of trade is "both necessary and desirable for the creation of wealth, the augmentation of employment opportunities, and increases in the well-being of workers and their families in this hemisphere."¹⁰⁴ But expansion of trade must be accompanied by "a significant redistribution of wealth created."¹⁰⁵ Only then will labor support the negotiation of WHFTAs.

Specifically, future WHFTAs must provide for the following:¹⁰⁶

- o Participation by trade union representatives in the negotiating process, preferably as members of the national negotiating team. Unions must attempt to ensure that treaties resulting from those negotiations respect worker rights to organize, to bargain collectively and, when necessary, to strike. Workers protection clauses should be included in the treaties, as has been done under the Caribbean Basin Initiative, the

¹⁰³ William C. Doherty, Executive Director, American Institute for Free Labor Development, AFL-CIO, to a "Forum of the Americas" organized by The Americas Society, Washington, DC, April 23, 1992 [hereafter, "Forum of the Americas"], p. 2.

¹⁰⁴ William C. Doherty, Executive Director, American Institute for Free Labor Development/AFL-CIO, "Western Hemisphere Trade: A Union Analysis and Suggested Response," May 1992 [hereafter, "Western Hemisphere"].

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

Generalized System of Preferences, and other U.S. trade and investment laws.

- o A role for governments to temper market forces which, if left unrestrained, will not promote the well-being of workers in the FTA economies.
- o The right of nations to determine product quality in the interest of health and safety; however, the higher standards should be made universal.
- o Effective and fully-funded guarantees of income replacement, training, relocation allowances, and welfare benefits to workers and their families until the economic transition has been accomplished.
- o A code of conduct for foreign corporations.

In addition, free trade agreements must be accompanied by debt reduction, foreign aid, and domestic structural adjustments within each developing country in the hemisphere (e.g., tax reform, exchange rate stabilization, reversal of capital flight, etc.), to reduce inequities within the countries of the Western Hemisphere, and alleviate the pressure to export. Significant improvements in environmental protection and enforcement must be in place.

Finally, the unions believe they should spearhead the creation of a social and economic pact similar to that of the European Community which eliminates differences in social services, taxes, business support by government, laws regarding civil claims, and so forth. Such a pact, they argue, should be negotiated simultaneously with the free trade agreement negotiations.

Short of these steps, unions in the United States and in Canada cannot be expected to support the negotiation of FTAs with countries in the Western Hemisphere. Wage rates are low in Latin

and South America, unemployment is high, and already, U.S. unions argue, significant transfer of investment and jobs from the North America to Latin and South America has occurred. "If the Enterprise for the Americas Initiative has as its goal to convert Latin America into one big maquiladora, you can be absolutely certain of the opposition of U.S. labor."¹⁰⁷

It is highly unlikely that the prerequisites required for labor backing of future free trade agreements will be met any time soon. The changes are enormous, and necessitate a significant acceleration of economic development in Latin and South America. This means that labor's role in the negotiation of future FTAs in the region will continue to be one of opposition. How effective will that opposition be in stopping, or in dictating the contents of, future free trade agreements in the Western Hemisphere?

The answer depends on (1) who the future free trade agreement candidates are, (2) how negative an impact NAFTA has on U.S. and Canadian employment, and (3) whether a Democrat is President or a non-Conservative is Prime Minister. If the next free trade agreement is with a developing country that is already a strong exporter of products that receive substantial protection in the United States or Canada, opposition will be easy to organize. The lesson of the Canadian and U.S. experiences with the NAFTA is that it is much easier for labor to generate opposition to free trade agreements if it can point to losses caused by existing free trade agreements or programs. The U.S labor groups could do this with

¹⁰⁷ Doherty, "Forum of the Americas," *op. cit.*, p. 6.

respect to the maquiladoras, and Canadian labor could do it for the CFTA. Both examples proved to be powerful motivators for both public and political support for union worries about the prospects for new free trade agreements. If similar examples are available from the NAFTA, opposition to future free trade agreements in the Western Hemisphere will be easy to mobilize.

Finally, labor groups have had an excuse, of sorts, for not having a significant impact on the free trade area process because all of the past free trade agreements have been negotiated by Republican and Conservative administrations. If a Democrat is President or a Liberal is Prime Minister, the unions cannot afford to fail in the eyes of their membership. Their opposition -- and their expectations regarding the success of their opposition -- will be that much greater.

It matters little that organized labor accounts for smaller and smaller shares of the U.S. manufacturing work force.¹⁰⁸ Organized labor's influence on U.S. trade policy remains strong. Union membership tends to be concentrated in politically important regions of the United States that are particularly vulnerable to economic downturns. As a result, the unions are able to exercise a degree of influence on the Congress that far exceeds their relative importance in the work force. Even during periods when the "protectionist" label is viewed as a pejorative term, as the AFL-CIO

¹⁰⁸ Union membership in the United States has declined steadily since the late 1970s -- to the point where currently-unionized workers make up only about 16 percent of the labor force, according to the U.S. Department of Labor.

admits is the current view,¹⁰⁹ American politicians are reticent to abandon labor altogether. Union influence in Canada is even stronger, and as already noted unionized labor accounts for a much larger share of the work force than in the United States. The Canadian political culture is much more attuned to the interests of labor than is the United States. The political strength of unions in both countries is also enhanced by their cohesive and unified positions on trade liberalization. Thus, even though they do not represent the majority of workers in either country, the positions of Canadian and U.S. labor groups cannot be ignored by politicians.

The labor position, therefore, will need to be considered seriously by advocates of future FTAs in the Western Hemisphere. The inaccuracy of their predictions regarding expected job losses from the CFTA and the NAFTA will not be held against them by policy makers. Those predictions will not be critically examined by voters, who respond for the most part to popular press reports that emphasize the dramatic. In the end, the legitimacy of labor's positions matters little: even 100 job losses will be viewed by the public, and consequently their elected officials, as "too many". Whether or not the maquiladoras have in fact enabled American companies to keep workers employed in the United States is irrelevant, if labor can show that the maquiladoras have caused

¹⁰⁹ William C. Doherty, Executive Director, American Institute for Free Labor Development, remarks to the American Foreign Services Association, The Council of the Americas, The American Chamber of Commerce in Mexico and Southwestern Bell, "Mexico and the United States: Converging Destinies," April 5, 1991, p. 2.

companies with plants in the North to move them South, even to Texas.

Therefore, while it will still be important for advocates of WHFTAs to continue to demonstrate the job-creating impacts of FTAs on the U.S. and Canadian economies, they should not expect to win on the merits of their case. The debate is, and will continue to be, framed in emotional terms by organized labor, and the North American public will continue to react accordingly.

This means that WHFTA advocates must make efforts to show the North American public that organized labor has a place at the table, and that their concerns are also the concerns of WHFTA advocates. At a minimum, general and broad efforts will need to be made to show the public that policy makers recognize that every effort is being made to protect North American jobs. Labor groups should continue to be included in the advisory process. The role of the federal departments of labor in the negotiations should be widely publicized. In addition to continuing to emphasize the job-creating benefits that come with trade liberalization, equal publicity should be given to plans for assistance to displaced workers. Taking every opportunity to show the public that U.S. and Canadian negotiators care about any negative potential job impacts of WHFTAs will go a long way to diffusing public opposition to the agreements, and consequently the effectiveness of organized labor's opposition in the U.S. Congress and the Canadian Parliament.