

# FACT SHEET



## FREE TRADE

The Free Trade Agreement (FTA) of 1988 between Canada and the United States, and a subsequent agreement called the North American Free Trade Agreement (NAFTA) which brought Mexico into the equation promised higher productivity, higher incomes and a better standard of living. The next agreement in the works is an expansion of NAFTA which would cover 34 countries in North, Central and South America (excluding Cuba). It's called the Free Trade Area of the Americas (FTAA) and is expected to become effective in 2005.

Not only have the glowing promises of the NAFTA not materialized, free trade agreements to date have brought about growing inequities as major changes have been effected in Canada's economy and social programs.

While productivity has grown, wages have not. In the 1990s, real incomes declined for most Canadians; only the top five percent saw real improvements. In fact, we have seen the first widening of income inequities in the post-war era. In terms of family incomes, the top 20% of families increased their share of income from 41.9% to 45.2% between 1989 and 1998 while the bottom 20% saw their share drop from 3.8% to 3.1%.

Employment has become more insecure with little growth in full-time employment during the 90s. In the decade between 1989 and 1999, 43% of new job creation was due to self-employment. The percentage of part-time work grew dramatically as well, jobs

filled primarily by women, many of whom could not find full-time work. Temporary work also grew from 5 to 12% of total employment. In fact, trade expansion has produced a net destruction of jobs. Between 1989 and 1997, 870,000 jobs were created as a result of an increase in exports. On the flip side, 1,147,100 jobs were eliminated as a result of imports, resulting in a net loss of 276,000.

Corporate restructuring, including mergers, takeovers, downsizing, bankruptcies were mirrored by a corresponding public restructuring involving deregulation, privatization and contracting-out, downsizing and the sale of publicly owned industries.

How does NAFTA affect us? By removing tariffs and other non-tariff barriers, it makes it difficult for government to protect strategic or vulnerable sectors of the economy from competition by imports. It also prevents governments from making arrangements such as the Auto Pact to protect and improve investment and employment in Canada.

NAFTA also provides strong intellectual property protection, including patents, copyrights and trademarks, giving even more power to corporations. It is also about making knowledge and ideas private. Not only does it include rights to inventions or discoveries such as patents for new drugs and seeds, for example, it can also be extended to the ownership of ideas and even human genes.

NAFTA puts limits on state-owned enterprises, preventing them from operating in ways that are inconsistent with private

enterprises. This limits the ability of governments to direct such enterprises for the public good and limits their ability to re-nationalize an industry that has been privatized.

What all this means is that the deck is stacked in favour of corporations rather than labour. To keep pace with NAFTA and remain competitive, employers look for concessions. The free flow of capital investment under free trade agreements provides corporations with increased freedom to move their operations, making workplaces more insecure and workers more vulnerable to demands for concessions.

The pressure to compete also has an impact on policy choices. Labour laws and environmental regulations are already under attack and spending on social programs such as Unemployment Insurance has been reduced. Program spending at all levels of government fell from 45% of Gross Domestic Product (GDP) to less than 35% during the period 1992 to 1999 which has been described as an unprecedented structural shift in the public-private sector balance.

With the introduction of the free trade agreements, government policy makers recognized that Canada's social programs and policies had to be brought into line with the U.S.. To do this, Bank of Canada policies deliberately raised unemployment, followed by the government's cuts to Unemployment Insurance and welfare transfers.

Trade agreements in effect today undermine national sovereignty, promote the privatization of government services and their delivery and allow corporations the right to undermine the power of government to pass laws and create regulations to protect citizens. Under NAFTA, corporations can sue governments and agencies for financial compensation when they consider that

government regulations and laws interfere with their ability to make a profit.

Free trade hasn't helped Mexico either. Poverty still affects more than half of the country's 96-million people and over 26-million suffer from extreme poverty. Weak "side agreements" to NAFTA to protect labour rights haven't ensured that Mexican workers have the basic right to a union of their choice and to bargain collectively. In compliance with NAFTA, land owned by communities which had been allocated during the Mexican revolution, can now be privatized which is leading to a growth in the concentration of land in the hands of a few.

Governments and businesses have been aggressively pursuing free trade agreements with little or no input from the citizens who must live with their effects. Free trade has allowed corporations to make decisions solely based on the bottom line, to move investment and jobs freely from country to country and to walk away from the economic and environmental problems they create.

Can this be changed? Labour unions, together with women's groups, anti-poverty groups, indigenous peoples, and other civil society groups and coalitions are taking steps to build organized opposition to free trade and to promote alternatives. An example is the Hemispheric Social Alliance. For the past five years, civil society activists in the Alliance have been working together to build a social agenda into the trade agreement process and to press for fair trade that shifts the balance back from corporations and that works in the interests of people not profits.

*(Sources: Common Frontiers Free Trade Action Kit, Canadian Centre for Policy Alternatives publications)*

