

# Bend Over – They’ll Drive...

## 'Snookered'

By Paul Harris - *YellowTimes* Columnist (Canada)

A few years ago, Canada, Mexico and the United States signed a document known as the North American Free Trade Agreement (NAFTA); it became effective in 1994. It was touted (if you're familiar with the legal term 'touting,' you'll know I've chosen the right word here] as the savior of the North American economy. It was going to reduce or remove all those horrid barriers to the free exchange of goods and services between various jurisdictions. We would all prosper, life would be grand, and we would all eventually die at ripe old ages in splendid luxury. Even more importantly, it was going to defend us against those Eurobastards who had made such large strides toward an economic union that was at least partly designed to challenge the financial clout of North America.

Since it was government and the business community doing the touting, the usual suspects rose up in righteous anger against this expected rape of the people and their resources. Labor, leftist, and social activist groups predicted chaos, more losers than winners, and a crystallization of more wealth into pockets that were already full to overflowing.

Guess who was right?

If the government officials who did the negotiating knew what they were getting into, then they are just a bunch of dishonest creeps. It is entirely plausible, however, that they were all too stupid to know or that they were cleverly swindled by the economic advisers upon whom they all rely. They persist in relying on these advisers despite centuries of evidence that economists are almost never right. Admittedly, in hindsight they can sometimes figure out what went wrong but they never get it right before it actually happens.

However, no matter where the blame lies, we all got snookered.

Even the U.S., who surely thought the deck was stacked in its favor, bought a pig in a poke. Each year since the implementation of NAFTA, officials in Mexico, Canada, and the United States have regularly declared it to be an unqualified success. It's the economic equivalent of a free lunch, a 'win-win-win' for all three countries. They're lying.

The reality is that it has been a success only for the very narrow group of parties for whom (and by whom) it was designed - investors and financiers. For the average working stiff in North America, the

woman or man who is paying for all of this, it has been a dismal failure. But the governments and business interests who caused all this to happen are not concerned; they simply don't care.

Most of the citizens of North America work for a living. The overwhelming majority requires a certain degree of job security. NAFTA extended protection for investors while explicitly excluding any protections for working people in the form of labor standards, workers' rights, or maintenance of social investments. This imbalance inevitably undercut whatever level of social contract each nation had achieved for its citizens.

Given their respective sizes, the impact of economic integration has been inevitably greater in Mexico and Canada than in the United States. But by most measurements that matter to people, nobody has come out a winner.

In the United States, NAFTA is credited with eliminating something on the order of 800,000 jobs since 1994. Contrary to the promises of the American promoters of NAFTA, the agreement did not result in an increased trade surplus with Mexico, but rather the reverse. Manufacturing jobs disappeared and workers were downscaled into lower paying and less secure services jobs. Within manufacturing, the relentless threat by employers to move production to Mexico has become a crucial bargaining chip in their relations with their employees.

Production jobs did move to Mexico so you might expect that Mexico has seen a net gain from this agreement. Not so. Primarily, the jobs moved to the maquiladora areas along the U.S.-Mexico border where wages, benefits and workers' rights are deliberately suppressed. These economic areas are mostly isolated from the rest of Mexico's economy and contribute almost nothing to the development of Mexican industry or its internal markets. This had been the promise of the Mexican NAFTA negotiators and the basis on which they had sold this deal to their citizens. In reality, compensation and working conditions for most Mexican workers have deteriorated and the share of stable full-time employment has shrunk.

Canada's increased market integration with the United States actually began in 1989 with the advent of the Free Trade Agreement (FTA); this was the precursor to NAFTA. Since the FTA, trade and investment flows between Canada and the United States have increased dramatically. But since FTA, and even more so since NAFTA, per capita incomes have declined year after year. Like Mexicans and Americans, Canadians have seen an upward redistribution of income to the richest 20 percent of Canadians, a decline in stable full-time employment, and the ripping of ever-widening holes in Canada's once proud social safety net.

There has been a continent-wide pattern of stagnant worker income, increased insecurity, and rising inequality even though the climate should have been right for a successful continental integration. But this document was never intended to deliver what its advocates claimed it would deliver. It was meant to enrich banks, investment companies, and corporations and it is inconceivable that the very bright people who finagled the agreement didn't know this. This was a deliberate plot to break unions, to roll back the

costs of production on the backs of the average working stiff, to further line the pockets of the already disgustingly wealthy. It was a deliberate plot to distill and relocate the centers of power, to put corporations beyond the reach of national or local governments and clearly in the grasp of NAFTA, which had been designed by and for those corporations.

Unfortunately, an extraordinary consumer boom in North America, particularly in the United States, has masked this disaster. The boom has been fueled by a huge expansion of consumer credit and a speculative stock market bubble. The economies of all three countries now hang precariously on the capacity of American consumers to continue spending in excess of their incomes.

Now I'm no expert in financial matters but it seems to me that the agreement would have been doomed from the start because there was never a level economic playing field. The Mexican peso and the Canadian dollar cannot withstand any comparison with the U.S. dollar. While a lower valued peso and Canadian currency might benefit some industries, trying to make this work without having the currencies all pegged to the same standard was asinine.

In each of the three countries, vigorous campaigns against NAFTA were launched but, in the end, governments do whatever the hell business tells them to do. Trade unionists in particular, while certainly looking out for the interests of their particular members, seemed to have had a much clearer vision of what we would be getting into than the rest of us. They knew that our governments were cheerfully encouraging us to do business with the Ferengis.

It is questionable to what extent NAFTA alone can be blamed for our current situation. For the past two decades there has been a broad anti-government and pro-deregulation agenda that has been transforming our national economies and restructuring the relationships between citizens, governments, and markets. This agenda has led to policies that have had an adverse impact on the employment and working conditions of people in all three nations. This was an intended result; the corporations behind this push have worked hard to transfer power from workers to management and investors, from wages to profits, and from the public sector to the private market. NAFTA prevents even well intentioned governments from regulating trade with their partners or even within their own borders.

The bad news is that this is far from over. Negotiations are currently underway for a new travesty known as the Free Trade Agreement of the Americas (FTAA). This one is designed to link all the countries of North, Central, and South America to the same yoke that has currently shackled North America.

To all the residents of all the countries in the Americas I say: Fool us once, shame on them. Fool us twice, shame on us.

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