

Phase 2 Starts Now in Our Battle to Replace NAFTA & Stop Its Ongoing Job-killing, Wage-crushing, Environment-trashing Damage!

After a year of North American Free Trade Agreement (NAFTA) renegotiations, the revised text revealed some improvements progressives have long demanded, damaging terms we have long opposed and important unfinished business.



This NAFTA 2.0 text is not the transformational replacement of the corporate-rigged trade-pact model that we have demanded. But if we fight to secure swift and certain enforcement of the pact's new labor standards — and achieve some other key improvements — then the final package Congress will vote on early next year *could* stop some of NAFTA's continuing, serious damage to people across North America. *But only if we force changes...*

No one should refer to NAFTA 2.0 by Donald Trump's "U.S.-Mexico-Canada Agreement" (USMCA) rebrand. Trump's claim he has created a totally different kind of agreement is a deceitful sales pitch like those past presidents used to hawk trade pacts. But NAFTA 2.0 is different from past trade deals, including in ways that reflect decades of union and civil society campaigning that has transformed trade politics. But more changes are needed for a NAFTA 2.0 to stop NAFTA's ongoing damage and avoid it causing serious new problems.

Some Key Areas Where the NAFTA 2.0 Text Falls Short

Enforcement of Labor Standards: The NAFTA 2.0 text includes modest but meaningful labor standards gains. It also has rules to end wage-suppressing "protection contracts" in Mexico, which, if enforced, could make a real difference over time to raise Mexican wages, which also would cut incentives to outsource jobs to Mexico. Now, workers come to a new plant to find a "contract" they never approved signed by a union they never approved that locks in low wages. Workers who strike are arrested for violating "their contract" as just occurred at Goodyear in San Luis Potosí where workers get \$1.58/hour to make the same tires as workers paid \$25/hour at Goodyear's Kansas plant. NAFTA 2.0 requires Mexico to provide workers secret-ballot contract votes and existing protection contracts must be replaced in four years. BUT, the NAFTA 2.0 text does not have the monitoring or enforcement terms necessary so the rules make any difference for workers. Unless strong labor and environmental terms are made subject to swift and certain enforcement, U.S. firms will keep outsourcing jobs to pay Mexican workers poverty wages, dump toxins and bring products back here for sale.

Access to Affordable Medicines: NAFTA 2.0 is packed with giveaways for Big Pharma that would help them keep medicine prices high by avoiding generic competition. Among other dangerous terms that expand monopoly protections for pharmaceutical companies, NAFTA 2.0 requires governments to give 10 years of marketing exclusivity for biologic drugs. This would lock the United States into our current bad policies that keep these medicines, including cutting-edge cancer treatments, outrageously expensive and export our bad policy to Mexico and Canada. Trade deals should promote the common good, not impose protectionism monopolies that reward special corporate interests. We must eliminate these provisions from the deal.

Environment: NAFTA 2.0 fails to require countries to adopt, maintain, implement and enforce domestic laws that achieve the goals of six core multilateral environmental agreements that were included in past U.S. trade pacts. Like the Trans-Pacific Partnership (TPP), NAFTA 2.0 fails to mention the words "climate change," much less address the social, economic and national security challenges presented by climate change. And, except for fisheries terms, the conservation provisions in the NAFTA 2.0 text impose few real obligations that require countries to take action. The environmental provisions must be strengthened and made subject to swift and certain enforcement, or NAFTA 2.0 will promote further outsourcing of pollution and jobs.

Job Outsourcing: NAFTA terms that make it less risky and cheaper to outsource U.S. jobs stay in place for three years after NAFTA 2.0 goes into effect. This delay must be eliminated. Despite Donald Trump's "Buy American/Hire American" rhetoric, NAFTA 2.0 keeps NAFTA's waiver of Buy American rules that require the government to buy U.S.-made goods. Unless that's fixed, more tax dollars and jobs will be outsourced.

Progress Was Made in NAFTA 2.0 Text, More Improvements Needed

We need to keep fighting! The NAFTA 2.0 text does not eliminate all of the provisions from the original NAFTA that we oppose and includes some unacceptable new terms, *but some important progress was made*:

Investor-State Dispute Settlement (ISDS): Important progress was made reining-in NAFTA's ISDS tribunals that corporations have used to grab hundreds of millions of dollars from North American taxpayers after attacks on environmental and health policies. U.S.-Canada ISDS is terminated. U.S.-Mexico ISDS is replaced by a new approach that eliminates extreme investor rights and remedies key procedural concerns. But a problematic loophole was included for nine U.S. oil and gas companies with contracts in Mexico.

First Time Link Between Wage Levels and Trade: NAFTA 2.0 includes a first-time innovation of conditioning trade benefits on wage standards. This Labor Value Content (LVC) requirement that 40 percent of the value of autos must be produced by workers paid \$16 per hour or more to qualify for NAFTA benefits sets an important precedent. But it is difficult to calculate its practical effects. Only the auto firms know precisely where each element of their products is manufactured, and thus whether production must be relocated from low-wage to high-wage countries or whether wages must be raised to meet the rules.

China Rule of Origin (ROO) Loophole Narrowed: Goods with significant Chinese and other non-North American value now get NAFTA benefits. NAFTA 2.0 raises the ROO for autos from 62.5 percent to 75 percent made in North America. Multi-national firms sought to lower NAFTA's auto rules to the 45 percent they got in the TPP so they could bring more parts made by workers paid even less than Mexican workers to be assembled in Mexico and then sell finished cars duty free in the United States. Beyond autos, NAFTA 2.0 strengthens NAFTA's ROOs in ways that should increase production and employment in North America.

Natural Resources: NAFTA terms that forced countries to continue to export natural resources that they seek to conserve are eliminated. These natural resources "proportional" sharing rules required exports of oil/gas, timber and even water based on previous years' export levels.

NAFTA Trucks: Longtime problems related to NAFTA requirements for trucks from all three nations to have access to all North American roads regardless of safety or environmental concerns were resolved. When the U.S. denied access because of widespread standards violations for trucks and drivers, a NAFTA tribunal okayed sanctions on \$2.4 billion in U.S. trade. NAFTA 2.0 provides discretion to limit access.

Currency Misalignment: NAFTA 2.0 includes first-time terms on manipulating currency values to gain trade advantages. This is an important precedent for future pacts with countries, unlike Mexico and Canada, where this is a big problem. But the NAFTA 2.0 terms provide no means to stop or discipline cheating. The only obligation that is enforceable merely requires countries to provide information on currency practices.

The Fight to Replace NAFTA Continues

Working people have suffered under NAFTA's corporate-rigged rules for decades. Nearly one million jobs have been government-certified as lost to NAFTA, with NAFTA helping corporations outsource more jobs to Mexico every week. The downward pressure on U.S. wages caused by NAFTA outsourcing is intensifying as Mexican wages have declined since NAFTA. Corporations have grabbed hundreds of millions using NAFTA investor-state tribunals to attack environmental and health laws, with more NAFTA cases launched monthly. Failed U.S. trade policies that have dramatically boosted corporate power and harmed workers, consumers and the environment require a complete transformation. That is key to the future of America's middle class.



The way forward on trade is neither NAFTA's damaging neoliberalism nor Trump's hateful nationalism. Today, more than ever, we must fight for a new trade model that increases wages and democracy and reduces outsourcing and corporate power.