

feature

Afta the NAFTA

by Adam Newman

How do 26 million Canadians, 86 million Mexicans, and 250 million Americans agree on something? Our governments would have us believe we already do. The North American Free Trade Agreement is touted as being good for all. NAFTA provides the framework for an increase in private investment which will make businesses more competitive and efficient.

Sounds good, but won't we lose our jobs? 500,000 Canadians lost theirs after we signed a Free Trade Agreement with the United States in 1989. Thomas d'Aquinas, president of the Business Council on National Issues, estimates that Free Trade cost Canadians 50,000 jobs. The Canadian Labour Congress puts it at over 160,000. Most people believe the FTA has not helped our economy. The government claims that it has. But even the Prime Minister has changed his mind about it over the years. "Free Trade with the US is like sleeping with an elephant. If it rolls over, you're a dead man," said Brian Mulroney, campaigning for election in 1983.

The Canada-US Free Trade Agreement is now in its fifth year. It allows for the gradual removal of a 6% tariff on 20% of our trade with the US over a period of 10 years. The FTA is one of many factors affecting Canada's economy; it cannot be held completely responsible for the current recession, which is the third-worst of all 24 industrialized countries, according to the Organization for Economic Cooperation and Development (OECD).

WHAT'S WRONG WITH THE FTA

Perhaps the worst thing for Canada about the FTA is how it affects energy policy. We have entered the US-Canada agreement with a fixed proportion of its energy reserves at a fixed price to the US, who is under no obligation to buy it. The US must offer Canada the same. This agreement is of great benefit to the US whose population is roughly ten times greater than ours, and lives in a smaller country with dwindling energy reserves. It is of no benefit to those concerned with saving our natural resources. It is interesting to note that Mexico was able to abstain from this clause during the NAFTA negotiations.

The FTA seems to have failed because Canada and the US are incompatible. The problem is that the US is a more productive "free enterprise" state, while Canada remains mired in uncompetitive semi-socialist policies, such as Medicare, and the Student Loan program. We must change to fit the new global economy, says Mulroney. As citizens of the largest country in the world, and the UN's top pick for a place to live

in 1992, we might wonder if we have to do just that.

If we choose to operate within the existing capitalist system, we must increase efficiency and competitiveness. These buzzwords of Free Trade have inevitably meant a loss of jobs, at least in the short term. However, many of these job losses have been permanent.

THROWING SHOES IS FUTILE

When the French introduced machinery into textile factories two hundred years ago, they were met with great resistance. Workers, fearing they would lose their jobs, threw their wooden sandals, or sabots, into the machinery. Some workers did lose their jobs, but machinery has ultimately made possible jobs with much higher productivity and pay. The sandal-hurlers were called *saboteurs*; they sabotaged technology. Many French people were permanently displaced, but society became more productive.

Free Trade with the U.S. is like sleeping with an elephant

It is this same goal of productivity, and profit, that the engineers of the FTA and NAFTA are aiming for. They have included no mechanism to ensure that wealth will be distributed equitably, but adhere instead to the "trickle down" theory of economics, which many people believe does not work; many fear NAFTA will lead to a growth in the gap between rich and poor, and insist that tax systems be reformed. Canada has the third-lowest rate of corporate income tax in the world, at 8.4%.

While transnational corporations are among the biggest supporters of the deal, labour groups are outspoken in their opposition. It is fair to say that many workers will be permanently displaced if NAFTA takes effect, as levels of production and consumption rise.

How Much is Enough?

Do we really need to consume more or are we just being greedy? The US accounts for 5% of the world's population, but consumes 80% of its resources. For every dollar Canada spends on the development of non-renewable natural resources. With NAFTA, affluent Mexicans are targeted as a market for Canadian and American products. Consumption is encouraged.

NAFTA: MEXICO'S IDEA

Since the debt crisis of 1982, Mexico has undertaken a series of economic reforms which has cut inflation, reduced its debt, and prepared the country for more foreign investment. Meanwhile real wages fell by 50% between 1982 and 1988 as the population continued to grow. (*Pro-Canada Dossier*) Illegal immigration of Mexican workers to the US increased, exacerbating an already delicate political situation.

A Harvard-educated economist, Mexican President Carlos Salinas de Gortari launched the free trade initiative mainly to help resolve his country's most pressing need: to provide a million jobs a year for Mexico's rapidly growing population.

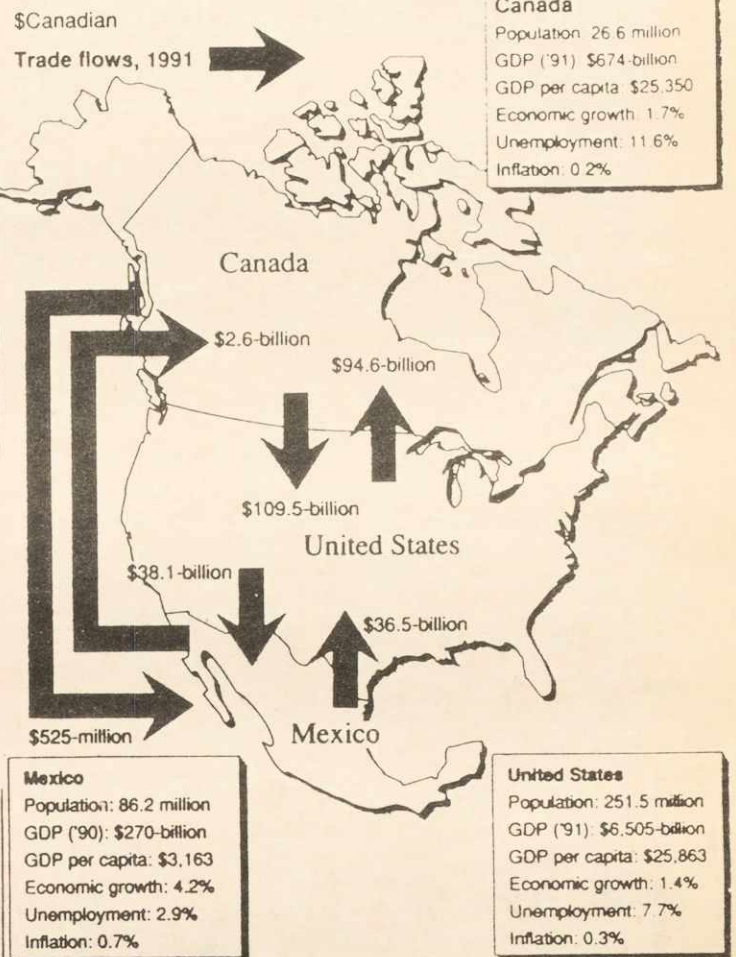
But Mexico's leaders do not always act in the interests of its people. The Institutional Revolutionary Party (PRI) has controlled Mexican politics since 1929. Most independent observers maintain that the 1988 election, in which Salinas was elected, was fraudulent.

There is a good deal of corruption in Mexico, and elsewhere; NAFTA can be seen as a means of serving government and corporate interest.

Salinas's plea for free trade was heard loud and clear by the Bush administration. They realized that if Mexico couldn't import capital it would have to export people, flooding the southern American states. (*Macleans*, Aug. 17, 1992, p.30) Bush agreed to negotiations, and championed NAFTA under the banner "trade, not aid".

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NAFTA ECONOMIES




Sources: IMF, New York Times, Statistics Canada


(DIANA CLIFFORD/The Globe and Mail)

NAFTA - SIMPLIFIED EVOLUTION

- 1) Mexican President Carlos Salinas seeks jobs for growing population, and money for corporate allies
- 2) Bush fears tidal wave of illegal immigration, sees profit, enters negotiations
- 3) Mulroney joins to avoid "hub and wheel" scenario-NAFTA popular with big business.



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