

## NAFTA hurting Canadian workers: report

Beth Gorham

September 28, 2006 – The Toronto Star

WASHINGTON — Free trade in North America has resulted in sharp gains for the rich at the expense of the average Canadian worker, says a report from the U.S. Economic Policy Institute released Thursday.

In fact, lower-income Canadians are worse off than they were before free trade and cuts to federal social programs at the same time have compounded the problem, said co-author Bruce Campbell, executive director at the Canadian Centre for Policy Alternatives.

The Ottawa-based think-tank is an independent non-partisan organization that promotes research on economic and social policy “from a progressive point of view,” according to its website.

Similarly, the U.S. institute says it carries out economic research and education, with a “concern for the living standards of working people.”

While trade between the NAFTA partners has grown rapidly, the free trade deals have not helped all workers, the report says.

“The most striking feature of this growing inequality has been the massive gains of the richest one per cent of income earners at the expense of most of the population,” said Campbell, who called for a major assessment of the costs and benefits of the North American Free Trade Agreement.

“Economic and political elites promised that free trade would usher in a golden era of prosperity for Canada. It clearly has not delivered the goods.”

The institute’s report found similar problems in Mexico and, to a lesser extent, the United States.

“In each nation, workers’ share of the gains from rising productivity fell and the proportion of income and wealth going to those at the very top of the economic pyramid grew,” said Jeff Faux, founder of the Washington-based think-tank.

NAFTA came into effect in 1994, five years after the Canada-U.S. free trade deal. In 2005, two-way trade between Canada and the United States approached nearly \$500 billion (U.S.), while U.S.-Mexican trade amounted to about \$290 billion (U.S.), both sharply higher than when the trade deals began.

However, Campbell said both agreements were supposed to boost living standards for many, help close the productivity gap with the United States, create a more efficient economy and strengthen Canada’s social safety net.

Yet there is no evidence that Canada gained a special advantage in the American market, said Campbell, and the country’s share of U.S. imports actually fell after 1994.

A federal Industry Department study found that the largest factor in a surge of Canadian exports in the 1990s was the low Canadian dollar. Another federal study found that by 1997, more jobs were being destroyed by imports from the U.S. than created by exports.

Expectations that Canada would become a magnet for foreign direct investment didn’t materialize, said the study, with Canada’s share dropping from 17 per cent to 13 per cent from 1993 to 2004.

Diversification in Canada’s industrial base has been disappointing, said Campbell, with the average unemployment rate in the last 15

years remaining about the same as the previous 15 years.

Big business, though, has done well. A study of 40 non-financial member companies of the Canadian Council of Chief Executives found their combined revenues jumped 105 per cent between 1988 and 2002 while their overall workforce shrank by 15 per cent.

The wealth hasn't trickled down, said Campbell, despite steady productivity growth in the Canadian economy.

"If free trade was supposed to usher in a new era of rising living standards, reversing the sluggishness of the 1980s, the record reveals quite the opposite."

Annual growth in average personal income per capita was at 1.55 per cent a year in the 1980s but slid to 0.63 per cent a year between 1989 and 2005.

Meanwhile, Americans were enjoying a personal income growth rate of almost twice that during the same period.

Massive cuts to Canadian social programs haven't helped, said Campbell, and tax cuts and transfers didn't offset the difficulties as they did in the past.

Federal non-military spending cuts in the second half of the 1990s were the largest in Canadian history, bringing spending down to the level of the late 1940s.

"Growing wealth and income inequality and a shrinking Canadian social state have been

hallmarks of the free trade era," Campbell said.

The bottom 20 per cent of families saw incomes fall by 7.6 per cent during 1989 to 2004, while incomes of the top 20 per cent rose 16.8 per cent.

While the average Canadian wage increased eight per cent between 1990 and 2000, the top one per cent of wage earners made 64 per cent more.

"The first free trade decade saw overall income inequality increase for the first time since the 1920s," said Campbell.

While Canada still spends significantly more on social programs and public services than Americans, the difference has been shrinking rapidly.

The 2001 gap in non-military spending between the two — 5.7 percentage points of GDP — is down from a 1992 gap of 15.2 points.

NAFTA proponents, said Campbell, point to increased exports and investment with steady growth but he wonders whether it's really working for Canadians.

"Do the benefits outweigh the costs? Is it serving our needs? It is time to reconsider whether NAFTA in its current form is contrary to the well-being of Canadian workers," he said.