



FACT SHEET

Trade and Manufacturing

Renegotiating NAFTA

The Trump Administration has signaled its intention to renegotiate the North American Free Trade Agreement (NAFTA). The labor movement has long supported rewriting the rules of NAFTA to provide more equitable outcomes for working families. To date, the biggest beneficiaries of NAFTA have been multinational corporations, which have gained by destroying middle class jobs in the U.S. and Canada and replacing them with exploitive, sweatshop jobs in Mexico. It doesn't have to be this way. With different rules, NAFTA could become a tool to raise wages and working conditions in all three North American countries, rather than to lower them.

A renegotiated NAFTA should:

- **Eliminate the private justice system for foreign investors:** This private justice system, known as investor-state dispute settlement, or ISDS, allows foreign investors to challenge local, state and federal laws before private panels of corporate lawyers. ISDS gives foreign investors enormous leverage to sway public policies in their favor. Scrapping the entire system would help level the playing field for small domestic producers and their employees.
- **Improve the labor and environment side-treaties (the North American Agreement on Labor Cooperation and the North American Agreement on Environmental Cooperation).** Add them to the original agreement, and ensure they are enforced. Without stronger provisions, environmental abuses and worker exploitation will continue unchecked.
- **Upgrade NAFTA's rules of origin particularly on autos and auto parts, to reinforce auto sector jobs in North America.** NAFTA's rules require that automobiles be 62.5% "made in North America" to qualify for duty-free treatment under NAFTA. Even though 62.5% seems high compared to the TPP's inadequate 45%, it still allows for nearly 40% of a car to be made in China, Thailand or elsewhere. The auto rule of origin should be upgraded to eliminate loopholes (through products "deemed originating" in North America) and to provide additional incentives to produce in North America. This, combined with improved labor standards will help create a more robust labor market and help North American workers gain from trade.
- **Delete the procurement chapter that undermines "Buy American" laws (Chapter 10).** NAFTA contains provisions that require the U.S. government to treat Canadian and Mexican goods and services as "American" for many purchasing decisions, including purchases by the Departments of Commerce, Education, Veterans Affairs and Transportation. This means that efforts to create jobs for America's working families by investing in infrastructure or other projects, including after the great financial crisis of 2008, could be ineffective. This entire chapter should be deleted.

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- **Upgrade the trade enforcement chapter (Chapter 19).** NAFTA allows for a final review of a domestic antidumping or countervailing duty case by a binational panel instead of by a competent domestic court. This rule, omitted from subsequent trade deals, has hampered trade enforcement, hurting U.S. firms and their employees. It should be improved or omitted.

Currency Manipulation

Currency manipulation is an illegal practice whereby a nation artificially sets exchange rates in order to gain an unfair advantage in the global trading system. Many U.S. trading partners seek unfair advantages by keeping the U.S. dollar artificially high, and their own currencies artificially low, effectively subsidizing exports and enacting tariffs.

For example, a renegotiated NAFTA should address currency manipulation by creating binding rules subject to enforcement and possible sanctions. Within months after NAFTA's approval by Congress, Mexico devalued the peso, wiping out overnight potential gains from NAFTA's tariff reductions. This devaluation made imports from Mexico far cheaper than they otherwise would have been and priced many U.S. exports out of reach of average Mexican consumers.

Countries should not use currency policies to gain trade advantages—something China, Japan, and others have done for many years. All U.S. trade agreements, including NAFTA, should be upgraded to create binding rules, subject to trade sanctions, to prevent such game-playing.

With respect to China, Congress should support treating currency manipulation as a countervailable subsidy; oppose further negotiations on the U.S. China bilateral investment treaty; and oppose any change in China's status as a non-market economy. All of this will help address our significant trade deficit with China and China's failure to fulfill its WTO commitments.

Boilermakers' Message to Senators and Representatives:

Congress must insist that certain issues be addressed before any new NAFTA agreement is signed so that future U.S. trade pacts actually improve the quality of life for Americans, including: Prioritization of human and labor rights; Respect for local development goals and the procurement policies that deliver on them – including "Buy American" preferences; No elevation of corporations to equal terms with governments; Safeguards against currency manipulation; and Improved consumer and environmental standards.

We believe a much greater degree of public and congressional oversight is needed if a "new" NAFTA and other pacts are to achieve these high standards.