

United Steelworkers Union:
Rules of Origin a Critical Provision in NAFTA Renegotiations

The North American Free Trade Agreement has been a failure for workers in all three countries. While trade flows, outsourcing and corporate profits have all increased; job quality, labor rights and compensation have all suffered. NAFTA has simply been a tool for production and wage arbitrage for corporate Bay Street and Wall Street interests.

NAFTA renegotiations have the potential to reverse these trends and be a force for progress. That, however, requires fundamental changes, not simply tinkering around the edges. Repealing NAFTA and starting completely over would be far preferable than minor changes which simply continue the trends of the past.

Fundamental changes must be made to the agreement. For manufacturing workers, a key issue will be reforming the rules of origin that determine what production activities will qualify a product for the preferences offered by the agreement. In the critical area of automotive products, the existing rules are insufficient, full of loopholes and allow for significant amounts of foreign content – an increasing percentage of which is Chinese – in a vehicle while still obtaining trade benefits. A dramatically strengthened rule of origin should require that only a limited amount of foreign content be allowed in a vehicle to be eligible for trade benefits.

And, for the components that are critical to the future of automotive production in terms of fuel economy, emissions control and driverless vehicles, the rules should provide a significant preference for parts made in the U.S. and Canada to capitalize on existing competitive advantages and ensure that the next wave of investments in the automotive sector occur in the U.S. and Canada in light of the substantial investments Mexico gained in the first 25 years of NAFTA's existence.

Rules of origin requirements must also be strengthened for critical products which are key to our national security and economy. Steel products, to qualify for domestic procurement and trade preferences must be melted and poured in North America. Aluminum products – both primary and secondary – must consist of aluminum smelted in North America and downstream products must be extruded, forged or rolled in North America.

The Rules of Origin is only one of many provisions that must be updated. Trade enforcement must be significantly strengthened to ensure that circumvention, evasion and manipulation of trade laws and existing remedies be eliminated. China and other countries have been able to game the system by cheating and stealing our jobs. Mexico, Canada and the U.S. should coordinate activities, as appropriate to ensure our trade laws work for working people.

Workers' rights provisions must also be fundamentally changed so that no workers are exploited. Disciplines to eliminate currency manipulation must be adopted. Investor State Dispute Settlement (ISDS) must be cut from the agreement. Many other provisions need to be renegotiated.

Existing trade agreements have reshaped the world economy and trade flows. It's time to update and reform all our trade agreements to ensure that the workers in participating countries gain the benefits of the agreements their political leaders initiate.

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