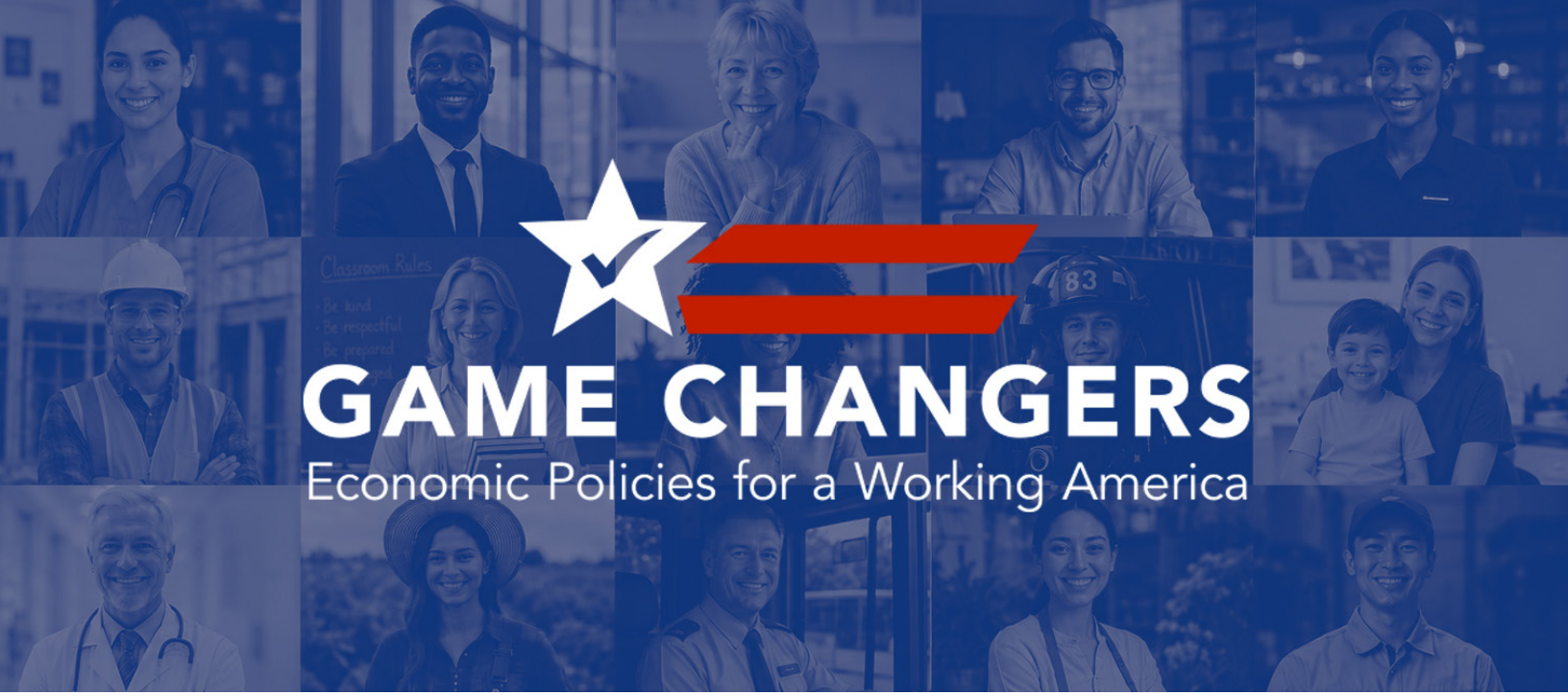

BACKGROUND PAPER / JULY 2026

Democratize North American Trade

BY JJASPER ANDRÉE, HECTOR DE LA CUEVA, THEA LEE,
LUIS RANGEL, AND JIM STANFORD

POLITICAL ECONOMY RESEARCH INSTITUTE
PERI
University of Massachusetts Amherst

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by Jasper Andrée, Hector de la Cueva, Thea Lee, Luis Rangel, and Jim Stanford

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I. Introduction

In his 2024 campaign, Donald Trump pledged to redress alleged unfairness and imbalances in America's trading relationships with other countries. The very first paragraphs of the 'Make America Great Again' platform criticized previous U.S. governments, which "sold our jobs and livelihoods to the highest bidders overseas with unfair Trade Deals and a blind faith in the siren song of globalism."[1] Trump's campaign fostered a nostalgic American nationalism, and an exaggerated sense of grievance directed at other countries – whom he blamed for any and all hardships experienced at home in America. The first step Trump proposed to fix this historic injustice was to impose major across-the-board tariffs on imports from other countries. The GOP platform pledged, "As Tariffs on Foreign Producers go up, Taxes on American Workers, Families, and Businesses can come down." Trump's attempt to blame foreign countries for America's problems was accompanied by aggressive attacks on immigrants, also scapegoated as the root cause of a myriad of economic and social problems at home. His nationalist pledge to put America (and Americans) first helped Trump win vital support from working class voters in swing states. Many believed his promise to "bring good jobs home" and restore America's standing in the world.

[1] *2024 GOP Platform: Make America Great Again!,* accessible at https://www.presidency.ucsb.edu/documents/2024-republican-party-platform.

Trump moved quickly to crack down on foreign trade – and attack 'foreigners' in general. He used the Immigration and Customs Enforcement (ICE) to imprison, deport, and even murder people (including U.S. residents and citizens). His inauguration speech pledged to "immediately begin the overhaul of our trade system to protect American workers and families," and to "tariff and tax foreign countries to enrich our citizens."[2] Within weeks, he had imposed across-the-board tariffs on imports from almost all of America's trading partners – and even some uninhabited Antarctic islands.[3] Tariff rates rose and fell frequently, fluctuating with Trump's whims. He backed away quickly from some of his most arbitrary or nonsensical tariffs: including abandoning 125% tariffs on imports from China, and a threat to impose 25% tariffs on any European country that opposed his plan to annex Greenland. These repeated reversals inspired the nickname 'TACO' (Trump Always Chickens Out) to describe his inconsistent actions. Trump used the leverage of tariffs to pressure several countries into so-called 'trade deals,' which reduced (but did not remove) U.S. tariffs in return for concessions on other issues. Those 'deals,' however, were not legally binding, and Trump soon reneged on them when he imposed new 10% tariffs on all countries (including those which signed 'deals') after the Supreme Court overturned the legality of one category of his tariffs in February 2026.[4]

Canada and Mexico are America's neighbors and two largest trading partners. So, Trump's trade policy actions have had particular repercussions on trade within North America. Adding to the irony, trade between these three countries is governed by a ratified and binding trade agreement (the U.S.-Mexico-Canada Agreement, USMCA[5]) which Trump himself negotiated and implemented during his first term in office – and which he lauded exuberantly at the time:

> "The USMCA is the fairest, most balanced, and beneficial trade agreement we have ever signed into law. It's the best agreement we've ever made."[6]

This revised USMCA followed years of ultimatums and unilateral tariffs imposed by Trump in his first term on Canada and Mexico (although not nearly as large or volatile as the tariffs in his second term). The new deal featured some incremental improvements over the original North American Free Trade Agreement (NAFTA) that it replaced – such as expanded protections for labor standards, stronger rules of origin for automobiles, and restrictions on the use of investor-state dispute settlement (ISDS). However, the overall structure and effects of the USMCA did not differ substantially from NAFTA. Nevertheless, Trump's first-term strategy of using tariffs as leverage to extract concessions from trading partners and then declaring 'victory' with a tweaked but broadly similar deal, clearly informed the more aggressive approach he has adopted this term.

A year and a half after his second inauguration, the effects of Trump's chaotic and volatile approach to international trade policy are becoming clearer – and any American workers who thought he would

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[2] "The Inaugural Address," January 20, 2025, The White House, https://www.whitehouse.gov/remarks/2025/01/the-inaugural-address/.

[3] Kate Lyons and Nick Evershed, "'Nowhere on Earth is safe': Trump imposes tariffs on uninhabited islands near Antarctica," *The Guardian*, April 3, 2025, https://www.theguardian.com/us-news/2025/apr/03/donald-trump-tariffs-antarctica-uninhabited-heard-mcdonald-islands.

[4] Chris Cameron, "Supreme Court's Tariff Ruling and Trump's Immediate New Levies Add New Uncertainty in Global Trade," *New York Times*, February 20, https://www.nytimes.com/live/2026/02/20/us/trump-tariffs-supreme-court.

[5] In Canada this treaty is called CUSMA (Canada-U.S.-Mexico Agreement), and in Mexico it is known as T-MEC (Tratado entre México, Estados Unidos y Canadá).

[6] "Remarks by President Trump at a USMCA Celebration with American Workers," Trump White House Archives, January 30, 2020, https://trumpwhitehouse.archives.gov/briefings-statements/remarks-president-trump-usmca-celebration-american-workers-warren-mi/.

"bring good jobs home" must be dearly disappointed. U.S. manufacturing employment has declined steadily since the tariffs came into effect, and the U.S. trade deficit widened slightly in 2025 (after a volatile year). American companies continue to lose global standing in several critical industries (such as automotive, renewable energy, and pharmaceuticals), although U.S. tech giants certainly dominate global digital trade. Tariffs contributed to an incremental increase in U.S. inflation in 2025, and most economic studies (reviewed below) confirm that U.S. consumers and businesses (not foreigners) bear the burden of tariff costs. The most direct impact of the tariffs has been to collect hundreds of billions of dollars in new revenue for the federal government (constituting a major new tax on Americans). However, the Trump administration allocated those funds to pay for much larger tax cuts which primarily benefit higher-income Americans, with the effect that the federal deficit swelled to all-time records despite the new tariff revenue.[7] A significant portion of the tax revenue collected to date will also need to be refunded, due to a Supreme Court ruling that one category of tariffs (imposed under the International Emergency Economic Powers Act, IEEPA) were not legally justified. But consumers are not likely to receive direct refunds, despite the higher prices they paid.

Of course, Trump's dramatic (and erratic) trade policy shifts have occurred in the context of other unprecedented foreign policy and military actions, including:

- military interventions in Venezuela and Iran;
- an energy blockade and military threats against Cuba;
- declaration of a new doctrine (the 'Donroe Doctrine'[8]) which falsely asserts the U.S.'s right to dominate all affairs (including militarily) in the Western Hemisphere;
- creation of a new alliance of right-wing governments in the Americas, called the 'Shield of the Americas,' headed by former Secretary of Homeland Security Kristi Noem, to promote American hegemony throughout the hemisphere;
- multiple territorial threats against several nations (including traditional allies such as Canada, Denmark, and Panama).

Again, although Trump's bellicose foreign policies create shock waves that are felt around the world, it is the United States' North American neighbors that are on the front lines of these unilateral and deeply disruptive actions. The U.S., Canada, and Mexico are conducting a mandatory review of the USMCA this year (agreed when the new trade agreement came into effect in 2020). This will inevitably become another major venue, therefore, for Trump's trade strategy in the months leading up to the mid-term elections. It is thus essential to understand what is wrong with his vision of trade policy, why it has backfired, and what are alternative approaches that would benefit workers in all three countries.

This background paper is organized as follows. First, it critically reviews the history and consequences of neoliberal free trade agreements in general, including the pioneering initial North American deals (the 1989 Canada-U.S. Free Trade Agreement, the 1994 NAFTA, and the USMCA in 2020). It will then review the failure of Trump's erratic trade interventions during his second term – as evidenced by the continuing loss of manufacturing employment, the continuation of large trade and capital imbalances,

[7] Kimberly Clausing and Maurice Obstfeld, "Trump's tariffs as fiscal folly," Centre for Economic and Policy Research, October 20, 2025, https://cepr.org/voxeu/columns/trumps-tariffs-fiscal-folly.
[8] Pablo Uchoa, "The 'Donroe doctrine': Maduro is the guinea pig for Donald Trump's new world order," *The Conversation*, January 6, 2026, https://theconversation.com/the-donroe-doctrine-maduro-is-the-guinea-pig-for-donald-trumps-new-world-order-272687.

and the erosion of U.S. leadership in many strategic industries. The paper then reviews principles and proposals advanced by progressive trade justice advocates in all three countries, ever since the beginning of continental free trade. The concerns of those advocates about the failings of the NAFTA model were prescient – and their reform proposals are still relevant.

Section V of the paper describes alternative approaches that could improve several dimensions of continental trade and economic relationships. Six key priorities are described in detail, including: labor rights, migration and human rights, environmental protections, industrial policy (including for the strategically important automotive industry), limiting investor rights, and digital and technology trade. We do not propose that all these concerns can be, or should be, addressed through a single comprehensive 'treaty,' standing as an all-encompassing alternative to the USMCA. Indeed, many of the problems of past neoliberal trade deals stem from the fact that they tried to do too much: embedding a far-reaching framework of corporate rights and powers into overarching commercial agreements, intended to exert supremacy over other national and international policy and democratic processes. But taken as a constellation, this catalogue of better approaches to the key challenges of North American economic integration does indeed describe a refreshing, balanced, and more democratic alternative to top-down neoliberal trade deals – an alternative that would do far more to strengthen democracy and protect workers in all three countries, than Trump's erratic gyrations. By exposing the dishonesty of Trump's pseudo-attack on trade policies that have primarily benefited his billionaire allies, progressive movements can expose the hollowness of Trump's promise that he can improve the lives of U.S. workers through tariffs and walls, rather than through cooperation and growth.

II. The Failure of Neoliberal Free Trade

The United States, Canada, and Mexico are inextricably connected via geography, choice, and history. We share more than 7000 miles of borders, as well as waterways and air flow. People cross those borders for work and pleasure; millions of Canadians, Mexicans, and U.S.-born people live in a different North American country than the one they were born in; and our economies are connected by trade, investment, and deeply integrated industries (such as automotive manufacturing).

With original treaties involving Canada (in 1989) and Mexico (in 1994), North America pioneered the neoliberal model of "free trade." This approach generally lowers tariff barriers (which were low to start with, following decades of gradual multilateral tariff reduction after the Second World War), and more importantly seeks to discipline national regulatory powers that are unwelcome to mobile capital. The model is explicitly designed to weaken democratic decision-making and regulatory scope in favor of enhanced corporate mobility and profits. Outsourcing, especially from a relatively wealthy country to a lower-income country, becomes a form of arbitrage: the threat of moving inhibits wage growth and unionization, and creates obstacles to regulation.

A "free trade agreement" is designed to lock in low or zero tariffs and an accommodating regulatory regime so that corporations can move production across national borders without fear of political backlash. Ironically, Trump's new and chaotic tariff regime undermines those expectations.

In the North American context, the adoption of the U.S.-Canada Free Trade Agreement in 1989 accelerated the relocation of investment and production from Canada to the United States, just as NAFTA accelerated outsourcing from the United States to Mexico. The renegotiation of NAFTA in 2019

(leading to the USMCA) did not slow the loss of U.S. jobs; indeed, the bilateral U.S. trade deficit with Mexico increased in the five years after its implementation, while U.S. manufacturing continued its decline.

It is worth noting that each of these trade agreements was touted to bolster North American regional competitiveness and bring jobs and economic growth to all three countries, but none of these promises were fulfilled. Instead, the key innovation of the North American Free Trade Agreement was to embed rules that undercut national regulatory measures, especially discouraging new environmental regulation. For example, new Investor-State Dispute Settlement (ISDS) provisions allowed foreign investors and companies to challenge unwelcome regulations through private tribunals.[9] Prior to NAFTA, ISDS existed only in stand-alone bilateral investment treaties. Similarly, NAFTA's provisions on intellectual property rights, financial services, sanitary and phytosanitary standards, and technical barriers to trade could all be used to protect investors' interests, to the detriment of national democratic decision-making.

Continent-wide movements of labor, environmental, consumer, human rights, family farm, faith, and development activists arose in the early 1990s to call out the proposed NAFTA as a wrongheaded path forward for regional economic integration. This trade justice movement was committed to a trinational perspective, recognizing that struggles over the NAFTA were not about one country winning and another losing, but rather a struggle of the corporate elite in all three countries versus working people.

NAFTA itself was ambitious and audacious. Ambassador Carla Hills, U.S. Trade Representative under President George H. W. Bush, was a key architect of NAFTA. She told her staff that the negotiation was spurred by U.S. business interests that were already investing in Mexico (largely via export-processing zones or maquiladoras). These outsourcing corporations were concerned that Mexico might elect a left-wing populist government (after the 1988 election which progressive candidate Cuauhtemoc Cardenas won/nearly won[10]). U.S. businesses saw the value of a NAFTA that would "lock in" a pro-corporate set of rules with respect to investment, intellectual property rights, and financial flows. Vested business interests in both Canada and Mexico also saw a corporate-friendly NAFTA as a valuable tool to cement their powerful positions in their own countries.

After NAFTA was enacted in 1994, politicians dropped the pretense that it would be good for workers. U.S. Representative Newt Gingrich, then Speaker of the House of Representatives, argued against raising the U.S. minimum wage in 1996, on the basis that a higher minimum wage would be a "handicap" for American workers, who now needed to be "competitive" with Mexican workers. This illustrated starkly that, despite the NAFTA sales pitch of growth and jobs for all, the actual goal was to cement a neoliberal national agenda in all three countries. Newt Gingrich's "Contract for America," a deregulatory, anti-labor blueprint, was a vivid illustration of pro-business national policies coordinated with trade policy towards the same end.

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[9] For more details and critiques of ISDS, see Public Citizen, "Selected Statements and Actions Against Investor-State Dispute Settlement (ISDS)," November 12, 2025, https://www.citizen.org/article/selected-statements-and-actions-against-investor-state-dispute-settlement-isds-2/; Simon Lester, "The ISDS Controversy: How We Got Here and Where Next," Cato Institute, July 1, 2016, https://www.cato.org/commentary/isds-controversy-how-we-got-here-where-next; and Ilana Solomon, "Trading Away Our Climate: How Corporations Use Trade and Investment Agreements to Undermine Action on Climate Change," Sierra Club, May 2024, https://www.sierraclub.org/sites/default/files/2024-06/V6_ISDS-Report-6.1.pdf.

[10] It is widely accepted that Cardenas won more votes than his neoliberal opponent, Carlos Salinas de Gortari, but rigged counting and a rubber-stamp ratification by a Salinas-loyal Congress prevailed and Salinas became President.

More than thirty years later, NAFTA's legacy is potent – both economically and politically -- in all three countries. As critics feared (and accurately predicted[11]), NAFTA accelerated and deepened the outsourcing and deregulatory trend that had begun prior to its passage, and exacerbated downward pressure on labor standards, wages, and working conditions in all three countries. This has only deepened inequality in North America, both between the three countries and within each of them.

A recent National Bureau of Economic Research paper documents increased mortality associated with NAFTA in the United States: excess deaths from illness, substance abuse, and suicide.[12] These incremental deaths are concentrated in regions (the Midwest and Southeast) and in demographics (working-age men) where much of the manufacturing job loss associated with investment flight and imports from Mexico after NAFTA occurred.[13] *The New York Times* similarly notes, "Other research has shown that areas more exposed to NAFTA saw declines in wages and employment, and a shift in political support away from the Democratic Party toward Republicans and Mr. Trump."[14]

NAFTA's negative and long-lasting impacts in the United States were a factor in Donald Trump's 2016 election. However, his renegotiation of NAFTA during his first term also failed to deliver meaningful change. According to Rethink Trade:

> Indeed, under USMCA, the U.S. goods trade deficit with Mexico grew 30 percent from $196.5 billion in 2019 to $253.7 billion in 2024 (adjusted for inflation); with services factored in, the U.S. trade deficit with Mexico was a record $175.9 billion in 2024. Manufacturing wages in Mexico remain about 40 percent lower than in China, and the offshoring of manufacturing facilities and jobs from the United States to Mexico continues. Trade Adjustment Assistance (TAA) petition data is only available for the first two years of the USMCA's operation because Congress has failed to reauthorize or fund the program that has otherwise been in operation since the Kennedy presidency. From July 1, 2020, to July 1, 2022, 249 certified TAA petitions cited Canada and/or Mexico for trade-related job losses with 41,357 U.S. workers affected.[15]

A progressive, pro-worker, pro-consumer, pro-environment North American trade and development strategy would recognize and embrace our continent's inter-connectedness, our mutual dependence, our friendship, and our shared potential as a global innovative force. It would also recognize and respect our differences and our prerogatives as democratic sovereign states to enact policies (including economic regulation) that reflect our respective choices and priorities.

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[11] Thea Lee and Jeff Faux, "The Effect of George Bush's NAFTA on American Workers," Economic Policy Institute, June 1, 1992, https://www.epi.org/publication/epi_virlib_briefingpapers_1992_effecto/.

[12] Amy Finkelstein, Matthew J. Notowidigdo, and Steven X. Shi, "Trading Goods for Lives: NAFTA's Mortality Impacts and Implications," NBER Working Paper #34855, National Bureau of Economic Research, February 2026, https://www.nber.org/papers/w34855.

[13] https://www.nytimes.com/2026/03/13/us/politics/a-lot-of-life-years-lost-how-nafta-shortened-american-life-spans.html.

[14] Jiwon Choi, Ilyana Kuziemko, Ebonya L. Washington, and Gavin Wright, "Local Economic and Political Effects of Trade Deals: Evidence from NAFTA", NBER Working Paper No. 29525, November 2021.

[15] Rethink Trade, "Operation of the Agreement between the United States of America, the United Mexican States, and Canada," November 3, 2025, https://rethinktrade.org/wp-content/uploads/2025/11/USTR_Rethink-Trade_USMCA.pdf.

III. The Failure of Trump's Trade Wars

On the day of his second inauguration, President Trump released the 'America First Trade Policy Memorandum,' setting in motion the implementation of tariffs on virtually all countries in the world. From that date to mid-2026, his government made at least 150 different announcements regarding tariffs, trade sanctions, so-called trade 'deals,' and other unusual trade policy interventions.[16] Tariffs on particular countries and products have been adjusted up and down numerous times, sending inconsistent and uncertain signals to businesses and consumers on both sides of America's trade relationships. The aggressive use of tariffs represents a historic reversal of the long-term trend after the Second World War, involving the gradual and multilateral reduction of tariffs. That trend long predated the advent of modern neoliberal trade deals (which became popular in the 1990s, as described above); by the time those deals began to be signed, U.S. tariffs on most countries were already very low. The main effect of the new generation of trade deals, including the original NAFTA, was not tariff reduction, but rather to cement business-friendly commitments and regulations in many other areas of the economy (including private property rights, business regulation, and dispute settlement). So, Trump's tariffs (which are higher than any time in the last 80 years) cannot be understood as a "reversal" of free trade agreements; despite raising tariffs, he is preserving most of the other, unique features of those trade deals, which focused more on cementing business powers than on reducing tariffs.

The ultimate impact of Trump's erratic announcements on actual prevailing tariff rates has been difficult to track, given their volatility, multiple exemptions, delays in phase-in, legal and illegal evasion by some businesses, and the effect of stockpiles built up by importers early in 2025 to reduce their expected impact. As of February 2026, researchers estimate that U.S. tariffs (including the newly announced Section 122 tariffs, implemented after the Supreme Court ruling) averaged 13.7% across all merchandise imports.[17] That represents a ten-fold increase from the average effective tariffs that prevailed in the 2010s, and is a level of tariff intervention not seen since 1941.

Has this dramatic change in overall trade policy led to the repatriation of good jobs, a renaissance in American manufacturing, the rebalancing of trade, compliance with international labor and environmental standards, and the effective shift of the tax burden from Americans to foreigners? The answer on every count is firmly negative:

Trade Deficit: Singling out America's trade deficits with other countries as evidence of 'mistreatment' was always a misleading narrative. The U.S. has experienced an overall global trade deficit for fifty consecutive years, ever since the breakdown of the former Bretton Woods financial system in 1975. That deficit is the mirror image of large and ongoing capital inflows into the U.S., reflecting the dominance of American banks, financial institutions, and lucrative investment opportunities. Many factors can contribute to trade deficits for a while (including lopsided trade deals, loss of business competitiveness, or macroeconomic differences). But only capital inflows can facilitate (or 'pay for') the perpetual trade deficits that have long been a structural feature of the U.S. economy. Ironically, Trump boasts about winning major new commitments from trading partners to invest in the U.S. (a standard feature of the pseudo-'deals' he negotiated with several countries). If those commitments were actually

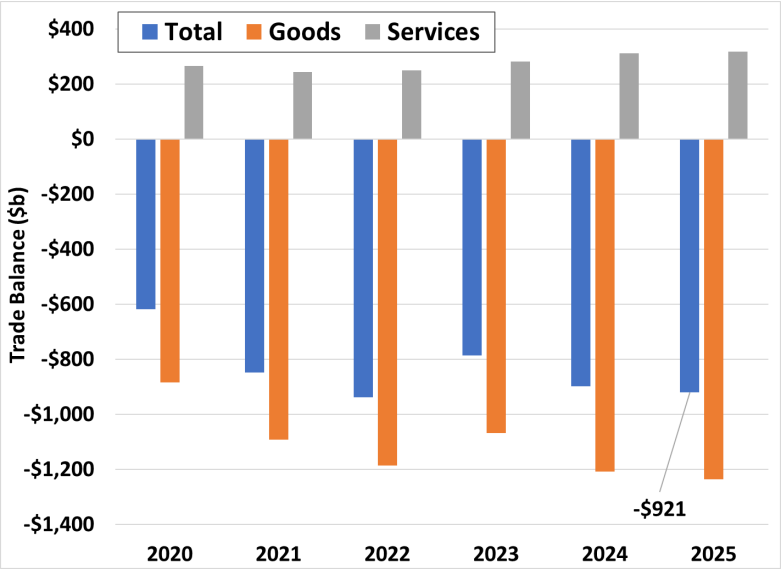
[16] A running list of tariff and related announcements in Trump's second term is provided by Chad P. Brown, "Trump's trade war timeline 2.0: An up-to-date guide," Peterson Institute for International Economics, https://www.piie.com/blogs/realtime-economics/2025/trumps-trade-war-timeline-20-date-guide.

[17] Yale Budget Lab, "State of Tariffs: February 21, 2026," https://budgetlab.yale.edu/research/state-tariffs-february-21-2026.

realized (which is unlikely), they would make the trade deficit worse: since the resulting increase in capital inflows would in general be reflected in a mirror-image expansion of the trade deficit.

Perversely, Trump's dramatic increases in tariffs in 2025 were accompanied by an *increase* in the aggregate U.S. trade deficit that year (see Figure 1). The aggregate trade deficit in all goods and services widened to $921 billion; the deficit in merchandise alone (the focal point of Trump's tariffs) grew to $1.24 trillion. The U.S. trade deficit grew further in the first months of 2026. By this metric – a misleading indicator, but one that Trump himself has emphasized – his policies have backfired. Within North America, the strategy has had mixed effects on bilateral trade deficits with America's USMCA partners: the trade deficit with Mexico widened in 2025 but shrank with Canada. Nevertheless, even within North America, the tariffs have not altered the general pattern of trade imbalance – which continues to be determined primarily by the international investment decisions of businesses and financiers, not trade policies.

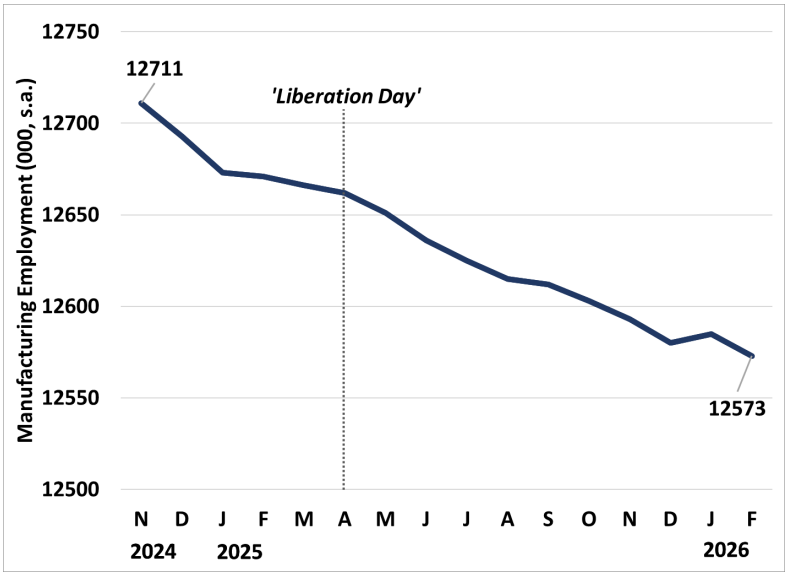
FIGURE 1: U.S. Global Trade Deficit, 2010-2025



Source: U.S. Bureau of Economic Advisers, National Income and Product Accounts, Table 1.1.5.

Manufacturing Jobs: Contrary to Trump's promises, blue-collar industrial jobs have not 'come roaring back' to the U.S. (in fact many of the jobs he claims to be pursuing were not based in the U.S. in the first place). As illustrated in Figure 2, U.S. manufacturing employment has declined steadily since Trump's inauguration, and the decline gathered pace after his April 2 'Liberation Day' announcements. By early 2026, the U.S. had lost almost 140,000 jobs since his election in 2024. The historic decline of U.S. manufacturing employment has not been reversed by Trump's actions, and in some ways has been made worse. Tariffs on imports of intermediate inputs to manufacturing (such as energy, minerals, primary metals, parts, and machinery) have increased operating costs for U.S.-based manufacturers, undermining their global competitiveness. Extreme uncertainty resulting from Trump's chaotic policy shifts has further undermined investment confidence.

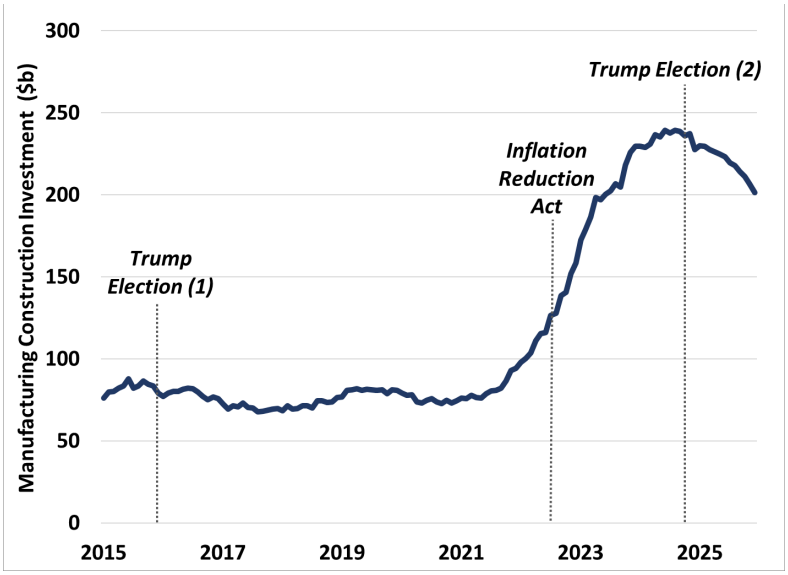
FIGURE 2. U.S. Manufacturing Employment



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics.

Manufacturing Investment: Another striking indicator of the failure of Trump's actions to revitalize U.S. manufacturing is the decline in capital spending on new manufacturing facilities in the U.S. Investment in new factories and other structures in U.S. manufacturing had stagnated during Trump's first term in office, despite his pledges to revitalize manufacturing then. Investment remained weak during the COVID pandemic. But manufacturing capital spending surged after 2022, thanks largely to the Inflation Reduction Act (IRA) and the CHIPS (Creating Helpful Incentives to Produce Semiconductors) and Science Act passed under the Biden Administration. Those policies offered huge incentives for investments in American manufacturing of technology and renewable energy equipment, and businesses ramped up capital spending quickly. By 2024, companies spent $2.8 trillion on constructing new manufacturing facilities in the U.S., three times more than in 2019. That unprecedented manufacturing expansion was thrown into reverse, however, after Trump's election; by end-2025 manufacturing investments had fallen over 15% from peak, and the decline has continued (see Figure 3). Manufacturing investment was hurt both by Trump's tariffs and other trade interventions, and by his cancellation of most of the IRA and CHIPS incentives. Some momentum has been injected to the economy through a burst of investment in AI-related capital (on huge data centers and associated power supplies). However, that neither strengthens U.S. manufacturing capacity, nor constitutes a reliable source of future growth (given the fragility of the AI financial bubble).

FIGURE 3: Investment in Manufacturing Construction



Source: U.S. Federal Reserve FRED Database, Series PRMFGCONS.

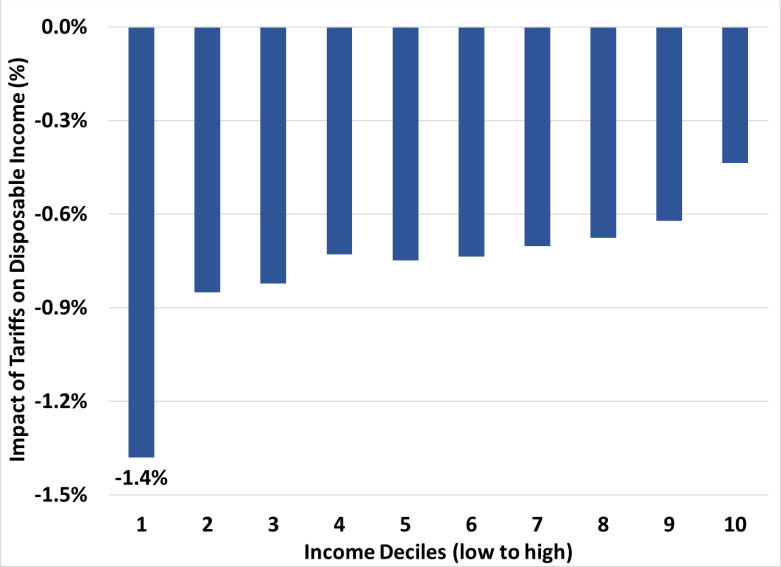
Incidence of Tariffs: Donald Trump has claimed that his tariffs are paid by foreign exporters and shift the tax burden from Americans to foreigners. This is false, in terms of both direct and ultimate incidence. Directly, tariffs are paid by the businesses which bring imports into the U.S. They are literally a tax paid by businesses in America to bring foreign-made products into the country. The ultimate burden of the tariffs (like any tax) then depends on the reaction of prices, supply, and demand to the new tax. That burden could theoretically be shifted to foreign suppliers if the tariffs caused a reduction in the pre-tariff prices they charge for those exported products. Economic studies from numerous reputable sources confirm that this has mostly not occurred. Pre-tariff prices for U.S. imports have been stable, and the impact of the tariffs has been an increase in prices paid for those imports by U.S.-based businesses. Most of those higher costs, in turn, have been passed on to U.S. consumers. The Congressional Budget Office estimates that 95% of the tariff cost is being passed on to U.S. consumers;[18] the New York Federal Reserve concludes 94% of the cost was initially passed through to consumers in 2025, although that share is falling (to 86%) as U.S. businesses readjust supply chains in response to differential tariff rates;[19] the Kiel Institute estimates that consumers bear 96% of the burden.[20]

Income Distribution: While the ultimate burden of tariffs is borne by U.S. consumers, that burden is not shared equally. Lower- and middle-income people experience a greater net cost from the tariff hikes for several reasons. Products which face especially larger price increases from the tariffs (including essentials such as clothing and some food) make up a larger share of total expenditure for those households. And due to their lower incomes, a larger share of income is allocated to merchandise

[18] Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036*, Box 2.1, February 2026, https://www.cbo.gov/system/files/2026-02/61882-Outlook-2026.pdf.
[19] Mary Amiti, et al., "Who Is Paying for the 2025 U.S. Tariffs?" *Liberty Street Economics*, Federal Reserve Bank of New York, February 12, 2026, https://libertystreeteconomics.newyorkfed.org/2026/02/who-is-paying-for-the-2025-u-s-tariffs/.
[20] Julian Hinz, et al. "America's Own Goal: Who Pays the Tariffs?" Kiel Policy Brief 201, Kiel Institut, January 2026, https://www.kielinstitut.de/publications/americas-own-goal-who-pays-the-tariffs-19398/.

(rather than services expenditure or personal savings, neither of which are directly affected by the tariffs). Research suggests Trump's tariffs will reduce the after-tax-after-transfer disposable income of the poorest 10% of Americans by 1.4% (see Figure 4). That reduction is three times larger than the impact on disposable income for the richest 10%. Moreover, the maldistribution resulting from Trump's policies is exacerbated by the fact that his parallel income tax reductions mostly benefit high-income earners. The combined impact of tariff and tax changes, therefore, is positive only for the highest-income 5% of Americans (with most gains captured by the highest-income 1%).[21]

FIGURE 4: Impact of Tariffs on Disposable Income by Decile



Source: Yale Budget Lab, State of U.S. Tariffs (March 9, 2026). Assumes Section 122 tariffs extended.

Federal Deficit: The current level of tariffs, if sustained, will raise over $300 billion for federal coffers in 2026. That may seem significant but represents only around 5% of total federal government revenues; it has been more than offset by the costs of tax cuts for businesses and high-income households (as noted above). Therefore, the federal deficit is increasing – projected to reach $1.9 trillion in fiscal 2026.[22] In effect, the tariffs thus represent a redistribution of the overall tax burden (from rich to poor), not an increase in the federal government's revenues. Trump has made far-fetched claims that tariff revenues could "substantially replace" income taxes in the U.S.[23] This is clearly not feasible given the much larger size of the income tax base – nor is it desirable, since it would represent replacing one tax on Americans with another, much less fair one. It is also impossible to calculate tariff revenue accurately given the

[21] Steve Wamhoff and Michael Ettlinger, "State-by-State Estimates of the First Year of Trump's Tax Policies: All But the Richest Americans Face Higher Taxes," Institute on Taxation and Economic Policy, February 23, 2026, https://itep.org/trump-obbba-taxes-lower-for-the-rich-tariffs/.

[22] Congressional Budget Office, op. cit.

[23] Melissa Goldin, "Fact Focus: Trump says tariffs can eventually replace federal income taxes. Experts disagree," Associated Press, December 3, 2025, https://apnews.com/article/fact-check-trump-income-tax-eliminate-bc0d35ccee990f5a595b39ef5b93d909.

frequent changes to tariff levels and coverage. This makes projected tariff revenue a risky and volatile component of budget forecasts.

Inflation: Because most of the cost of new tariffs is passed on to U.S. businesses and consumers, Trump's trade policies have placed incremental upward pressure on inflation in the U.S. That direct impact is counteracted somewhat by the contractionary impacts of tariffs on domestic growth and employment, and potentially by monetary policy responses (if the U.S. Federal Reserve delays interest rate cuts, or even raises rates, because of the effects of tariff increases). Since imports make up a relatively small share of total economic activity in the U.S. (14%, less than any other industrial country), the impact of higher import prices on inflation is small, but still measurable. Economists have estimated Trump's tariffs added 0.7-0.8% to cumulative inflation in 2025.[24] Trump's tariffs are thus a major reason why U.S. inflation accelerated modestly in 2025; that inflation undermined Trump's credibility with working class voters to whom he promised lower prices. Unfortunately, these tariff-induced inflationary effects amplified America's vulnerability to the new energy price shock arising from Trump's attack on Iran. U.S. consumer price inflation surged to over 4% by May 2026, raising the likelihood of punishing interest rate increases and macroeconomic slowdown in the months ahead.

Political Support: Opinion research has confirmed a steady erosion in Trump's approval ratings, and in Republican voter support more broadly. An estimated one-fifth of voters who supported Trump in 2024 have indicated they do not intend to vote Republican in 2028.[25] The erosion of support has been most visible among poor, non-white, and working class voters, whose support for Trump in 2024 was vital to his victory – and at whom Trump's narrative of "bringing good jobs home" was directed. The failure of Trump's trade wars to accomplish that central goal has been a key reason for his declining political position. This reinforces our conclusion that documenting the failures of his chaotic trade interventions, and presenting a credible alternative, will be important in challenging the Trump agenda in 2026 and beyond.

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Trump's emphasis on increasing tariff rates to address economic and employment problems at home was always misplaced on economic grounds. Indiscriminate tariffs cause a mix of effects, including many negative consequences for domestic production, that undermine their value as a tool of trade policy. More targeted tariffs aimed at specific economic or strategic priorities or relationships can still be appropriate, but Trump's arbitrary attack against trade in general is clearly hurting America's economy and workers, more than it is helping.

However, his explosive trade strategy was never motivated by economics in the first place. His trade war rhetoric and practice were always designed to exploit the legitimate anger of working voters over the erosion of their security and living standards, scapegoat foreigners and immigrants (rather than domestic employers and corporations) for their hardship, provide leverage for non-transparent and potentially corrupt negotiations, and mislead workers into accepting this unreliable and unethical billionaire as their savior.

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[24] See, for example, Paul Krugman, "A Wonkish Note on Tariffs and Inflation," Substack, February 1, 2026, https://paulkrugman.substack.com/p/a-wonkish-note-on-tariffs-and-inflation; and Alberta Cavallo, et al., "Tracking the Short-Run Price Impact of U.S. Tariffs," Harvard Business School, January 30, 2026, https://www.pricinglab.org/files/TrackingTariffs_Cavallo_Llamas_Vazquez.pdf.

[25] Jared Abbott and Joan C. Williams, "Workers Are Leaving the Trump Coalition," *Jacobin*, March 11, 2026, https://jacobin.com/2026/03/trump-coalition-voters-working-class.

IV. Pushing Back at Free Trade: Past Efforts

Donald Trump's erratic and unilateral trade wars have failed to genuinely address the problems of deindustrialization, economic insecurity, and inequality that have plagued so many Americans. It is certainly true that one-sided corporate-controlled globalization has been a major cause of those problems. But Trump's strategy to weaponize nationalism as a political force and distract American workers from the true causes of their poverty and insecurity, must be challenged and rejected.

Indeed, progressive opposition to the neoliberal vision of North American free trade has been persistent since early fights over the initial continental trade deals (the Canada-U.S. treaty in 1989, followed by the original NAFTA in 1994). Civil society groups and activists in all three countries challenged the assumptions of free trade theory and exposed the reality of corporate-friendly free trade agreements. The upcoming six-year review of the USMCA, in the context of broader turmoil gripping international relations, means these progressive critiques are highly relevant again.

In the late 1980s in Canada, trade unions, social movements, and other civil society stakeholders resisted the initial bilateral trade deal with the U.S., highlighting risks of over-dependence on the U.S. market to democratic control, social standards, and economic sovereignty in Canada. A strong coalition of forces came together to campaign against the initial 1989 treaty, which was initially opposed by a majority of Canadian public opinion, but which nevertheless won ratification through the Canadian parliament.

When negotiations began in the early 1990s for a three-country NAFTA, a broader, trinational mobilization emerged. Progressive forces from all three countries organized to highlight the dangers and consequences of the corporate-dominated model of continental trade embodied in that deal. These progressive responses emphasized various concerns, in particular the danger of a "race to the bottom" in international competition putting downward pressure on wages, working conditions, and environmental standards. They also highlighted the dangers of business-friendly investor rights, intellectual property provisions, and ISDS mechanisms.

A closely related and long-standing concern of trade justice advocates has been the lack of democratic control and transparency in trade policy: trade rules are often negotiated in a highly technocratic manner, removed from public accountability. Domestic and multinational corporations tend to dominate trade negotiations, with extraordinary access to key government officials and inordinate influence on the negotiated text. Progressive actors also emphasized the links between trade policy, migration, and human rights – showing how job displacement, precarious work, and the erosion of social security all created turmoil in migration patterns, and undermined respect for basic liberties. Defending domestic policy and political autonomy and protecting essential public services against encroachment from trade disciplines and privatization, have also been central to progressive trade justice narratives. Defending the ability of national or sub-national governments to pursue industrial, climate, and social policies, to use public procurement to promote economic and social goals, and to protect essential public services from commercialization pressures, have been this movement's key priorities.

Progressive campaigns and proposals on all these issues reflected the diversity of experience and opinion across the three countries. Canadian and Mexican responses were shaped by their historical experience of asymmetrical integration under U.S. economic and political domination, with a particular focus on sovereignty, room for policy maneuver, and the prevention of structural dependencies. In the

U.S., the economic risks to American workers from the outmigration of investment and jobs were often at the forefront. However, despite these nuances, progressive movements in all three countries identified common themes. They also stressed the positive potential for workers in all three countries to come together around a vision of continental economic development and trade that was expansive and mutually beneficial, rather than corporate-driven, competition-based, and beggar-thy-neighbor.

Here we summarize a few of the landmark proposals for a more equitable, sustainable, and democratic vision of North American economic cooperation and development that emerged from these ongoing efforts of trade justice campaigners over the past 35 years:

The North America Trinational Network (1990s to 2000s). This was a joint project of the Canadian Action Network-Common Frontiers (CF); the Alliance for a Responsible Trade (ART) from the US; and the Red Mexicana de Acción Frente al Libre Comercio (REMALC). This alliance united broad social coalitions in each country to challenge the NAFTA model and developed trade and development alternatives for the continent, organizing multiple international actions against free trade.

Hemispheric Social Alliance – Cumbres de los Pueblos (1997-2005).[26] Hundreds of organizations and networks across the Western Hemisphere came together to undertake dozens of campaigns and coalition initiatives opposing the expansion of neoliberal trade deals throughout the hemisphere. A main focus was opposing the Free Trade Agreement of the Americas (FTAA), which was ultimately defeated in 2005. These movements called for democratic participation in rulemaking, clear sovereignty and respect for regulatory rights, rejection of ISDS, strengthening core labor standards, environmental and indigenous rights, and humane policies on migration. The Alliance advanced a comprehensive alternative model of integration, trade and development called "Alternatives for the Americas".

Pardee Center Task Force (2009):[27] This initiative called for a new model of development financing (via a proposed North development bank), and reforms to labor and environmental standards, reform of investor protection, agricultural protection, and carve-outs to protect climate and health regulations.

Worker-Centered Reform Plans (Economic Policy Institute and the AFL-CIO, 2017):[28] These union-centered initiatives advanced priorities such as including enforceable labor rights in the core text of trade agreements, elimination of ISDS, reforms to intellectual property rules (including lower drug prices), stronger rules of origin, more procurement flexibility, and rules to regulate currency, capital flows, and macroeconomic stability.

Environmental and Climate 'Red Lines' Coalitions (2017/2018):[29] This constellation of civil society movements across North America advanced the idea of 'red lines' (non-negotiable limits on pollution,

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[26] Common Frontiers, Hemispheric Social Alliance – Cumbres de los Pueblos, https://commonfrontiers.ca/building-a-hemispheric-social-alliance-in-the-americas/.

[27] Kevin P. Gallagher, et al., The future of North American trade policy: lessons from NAFTA, Boston University Frederick S. Pardee Center for the Study of the Longer-Range Future, 2009, https://open.bu.edu/server/api/core/bitstreams/81e9d1ac-f11f-4abd-81cf-854252aee7ca/content.

[28] Robert E. Scott, Josh Bivens, and Seth Sanders, Renegotiating NAFTA: What should the priorities be?, Economic Policy Institute, 2017, https://www.epi.org/publication/renegotiating-nafta-what-should-the-priorities-be/; AFL-CIO, Making NAFTA work for working people: NAFTA negotiations recommendations, June 12, 2017, https://aflcio.org/sites/default/files/2017-06/NAFTA%20Negotiating%20Recommendations%20from%20AFL-CIO%20%28Witness%3DTLee%29%20Jun2017%20%28PDF%29_0.pdf.

[29] 350.org, et al., Replacing NAFTA: Eight essential changes to an environmentally destructive deal, 2017, https://www.sierraclub.org/sites/default/files/uploads-wysiwig/NAFTA%20Enviro%20Redlines%20FINAL.pdf; Frank Ackerman, et al., NAFTA 2.0: For people or polluters? A climate denier's trade deal versus a clean energy economy, Sierra Club, Council of

habitat destruction, and energy development) to curtail the rush to fossil fuel extraction and other destructive practices in all three countries.

Beyond NAFTA 2.0 (2019):[30] Coincident with the renegotiation of the NAFTA during Trump's first term, progressive movements worked to develop a tri-national synthesis of shared goals. These included ending ISDS, rebalancing intellectual property rules (to allow better access to medicines and other social goals), protection of digital rights and data sovereignty, enforcement of labor law (including rapid remedies to ensure compliance by employers), respect for gender and indigenous rights, food sovereignty, climate compatibility, and clear respect for national regulatory autonomy.

New Interventions on USMCA Review (2025-26):[31] Through preparing for submissions to the respective USMCA review panels in member countries, trade justice advocates have organized a new wave of research and advocacy efforts in all three countries. Their updated demands focus on stronger enforcement of labor rights, dismantling remaining investor privileges, reforms to digital trade rules (including stronger measures regarding privacy and competition), regaining room for domestic policy maneuver (including on procurement and industrial policy), and a stronger focus on environmental and human rights as benchmarks for reviewing the performance of trade deals.

Coalition for New Trade – Main Street Alliance (2026):[32] This U.S. initiative in the lead-up to USMCA renegotiation has been spearheaded by Katherine Tai, former U.S. Trade Representative under President Biden. The coalition will partner with progressive small businesses, farm groups, and unions. It emphasizes the need for greater democratic and community input into trade policymaking, and the need for trade agreements to confront the growing inequality arising from the rise of powerful technological oligopolies (including their international reach and profits). In May 2026, U.S. Representative Rosa DeLauro and 28 co-sponsors introduced "Fair Trade for Working Families," outlining a comprehensive trade policy reform agenda that would include enforceable labor, wage, and environmental standards; strong procurement and infrastructure rules; access to safe, reliable, and affordable medicine; and support for independent farmers and rural communities.

Fair Trade for Working Families (2026).[33] In May 2026, U.S. Representative Rosa DeLauro and 28 co-sponsors introduced a "Fair Trade for Working Families" resolution in Congress. Their proposed bill

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Canadians, Greenpeace Mexico, 2018, https://canadians.org/wp-content/uploads/2018/04/report-nafta-people-or-polluters.pdf.

[30] Emily Earle, ed., Beyond Nafta 2.0: Toward a Progressive Trade Agenda for People and Planet, Rosa Luxemburg Stiftung, Institute for Policy Studies, Canadian Centre for Policy Alternatives, 2019, https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2019/07/Beyond%20NAFTA.pdf.

[31] Citizens Trade Campaign, et al., Shared priorities for the USMCA review, June 12, 2025, https://www.citizenstrade.org/ctc/wp-content/uploads/2025/06/USMCAReview_OrgSignOnLetter_061225.pdf; Public Citizen, Comments to the United States Trade Representative regarding the USMCA review, October 29, 2025, https://www.citizen.org/wp-content/uploads/Public-Citizen-Comment-to-USTR-on-USMCA-Review-Oct-2025.pdf; International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, Request for Comments on the Operation of the Agreement between the United States of America, the United Mexican States, and Canada, November 3, 2025, https://uaw.org/wp-content/uploads/2025/11/USTR-2025-0004-00122247-CAT-12370-Public-Document_110425.pdf; Members of the U.S. Congress, Letter to President Trump urging comprehensive USMCA renegotiation during the six-year review, November 3, 2025, https://delauro.house.gov/sites/evo-subsites/delauro.house.gov/files/evo-media-document/delauro-usmca-letter-10.27.25.pdf; Adam Hersh, Did Trump really fix NAFTA? What USMCA failed to do and how to put workers first in North American trade, Economic Policy Institute, December 11, 2025, https://www.epi.org/publication/did-trump-really-fix-nafta-what-usmca-failed-to-do-and-how-to-put-workers-first-in-north-american-trade/#full-report.

[32] Coalition for New Trade, "Building a broad-based coalition for new trade and economic policies," February 2026, https://mainstreetalliance.org/coalition-for-new-trade.

[33] Jason Asenso, House Democrats call for new trade paradigm focused on workers, World Trade Online, May 15, 2026.

outlined a comprehensive trade policy reform agenda that would include enforceable labor, wage, and environmental standards; strong procurement and infrastructure rules; access to safe, reliable, and affordable medicine; and support for independent farmers and rural communities. It received wide support from labor, community, and environmental organizations across the U.S.

This long and rich history of trade justice organizing across North America provides many reference points for assembling a comprehensive alternative vision of North American economic cooperation. Again, this alternative must go beyond simply articulating textual provisions for a better 'trade deal.' After all, the fact that trade deals can be unilaterally ignored or contradicted by mercurial leaders (like Trump) suggests that a cooperative approach to growth, development, and economic democracy needs to be embedded in a broader constellation of economic, social, environmental, and democratic practices – rather than codified in a single overarching treaty. Most important, workers and communities need to be empowered to defend those progressive principles against corporations and corporate-captured political forces, who will always try to unwind any progress that workers and communities make in building a fairer economy. The next section describes several of the critical components of a new vision of a North American economy that could truly achieve rising living standards for workers in America and its neighbors.

V. Components of a Better Approach

Neoliberal trade agreements, pioneered by the initial North American trade deals, went far beyond the traditional scope of 'trade liberalization,' and did far more than just reduce tariffs (which were already low in North America). In this light, Trump's reimposition of tariffs does not "undo" those deals, but rather takes trade policy in a different, more chaotic direction. Those neoliberal agreements aimed to encapsulate a comprehensive constitution for international business, within a corporate-friendly structure (including business-dominated enforcement mechanisms, like ISDS). As Renato Ruggiero, first Director-General of the World Trade Organization said:

> "We are no longer writing the rules of interaction among separate national economies. We are writing the constitution of a single global economy."[34]

The process of building a progressive alternative to these deals must adopt a similarly broad scope, recognizing that continental economic progress depends on all the elements of economic, social, environmental, and democratic governance. We do not imagine trying to pigeon-hole all of those elements into a 'trade deal.' It is better to describe the components of a fundamentally different approach to governing economic affairs across this continent and then support campaigns by workers and citizens to make progress on all those goals, in all the arenas (not just trade policy, narrowly defined) where relevant decisions are made. And it is essential that trade agreements do not limit the scope for progressive and coordinated transnational action (for example, through ISDS).

Some of these goals can be advanced by reforming the specific content and functioning of trade agreements. Indeed, the transition from NAFTA to the USMCA in 2020 did encompass forward progress on some of these priorities (including more comprehensive labor standards and stronger enforcement

[34] Cited by Jeff Faux, "Slouching Toward Seattle," Economic Policy Institute, March 4, 2002, https://www.epi.org/publication/webfeatures_viewpoints_slouch/.

through the Rapid Response Mechanism, stronger continental rules of origin for key industries like automotive manufacturing, and limitations on the applicability of ISDS). However, future progress toward a stronger, fairer, more cooperative continental economy will need to extend that progress, and make progressive advances in other arenas, as well.

Below, we highlight six critical dimensions of a comprehensive strategy to reform and improve trade and economic development throughout North America. These six priorities do not resolve all the problems of existing North American trade, but they would constitute major progress toward building a continental economy that is democratic, cooperative, inclusive, and sustainable. Together, they would start the long process of building a North American economy that works for workers, wielding every opening and every policy lever progressive movements can find.

Labor Rights / Rapid Response

A new North American trade strategy must commit to strengthening labor protections for workers in all three countries. This means guaranteeing access to fair and independent union representation, respect for free collective bargaining rights, strong minimum wages, strong health and safety protections, and protections against workplace discrimination and harassment. The reforms to the USMCA implemented during Trump's first term included a new 'Rapid Response Mechanism' that allowed workers in Mexico to invoke trinational investigative bodies in cases when their labor rights were being violated. This system has proven to be effective but needs to be strengthened; it also needs to be applied symmetrically to all three countries, recognizing that workers in the U.S. and Canada (not just Mexico) also confront regular violations of their fundamental rights to organize, bargain, and strike. A stronger continent-wide commitment to labor rights would thus help U.S. workers win better access to their own union rights and minimum standards.

For the first time in a trade agreement, the provisions of the USMCA's Chapter 23 on Labor mandated the three parties to respect and guarantee freedom of association as a precondition for ensuring fairer labor, wage, and eventually trade relations for the entire region. The most impactful and innovative provision of Chapter 23 is the Rapid Response Labor Mechanism (RRLM), which allows either the U.S. or Canadian governments to investigate potential violations of labor rights at covered facilities in Mexico. If claims are substantiated, companies that actively deny the right to freedom of association in Mexico may be subject to sanctions ranging from warnings to the loss of ability to export, a powerful deterrent. The Mexican government conducts its own investigation, and the parties must agree on a remediation plan or submit the matter to an international panel. As of January 2026, the RRLM had been invoked approximately forty times and has impacted more than 200,000 workers.

However, despite having been very useful in recent years, important aspects of this mechanism clearly need improvement.[35] Unfortunately, this mechanism only applies to companies operating in Mexico. Therefore, a crucial step to guarantee workers' rights would be the establishment of reciprocity mechanisms. This would require the United States and Canada to also be subject to complaints and investigation when a company operating in their territory and covered by the Agreement violates the right to freedom of association. A second measure would be to broaden the sectors included and the rights covered. This should include important sectors like agriculture and extend protection to migrant

[35] For a broader discussion, see Centro de Apoyo a la Libertad Sindical (CILAS), "Libertad Sindical y retos del nuevo modelo laboral," September 26, 2024, at https://calisnacional.com/?p=26645.

workers regardless of their country of employment; the mechanism should also apply to health and safety violations, gender rights, forced labor, and child labor.

Because the labor markets of North America are so deeply connected, North American economic integration should aim to raise wages and improve working conditions in all three countries. We should consider fair wage guarantees in key sectors (including manufacturing, food processing, call centers, back-office work, and other traded goods and services), as proposed in Representative DeLauro's Fair Trade for Working Families bill.[36] Preferential tariff treatment could also be made conditional on meeting acceptable wage floors or standards in specific industries.[37] So long as wage disparities in North America remain so wide, trade and labor policy should aim towards bringing up the lowest wages in the region, rather than granting corporations more freedom and power to bargain down wages in higher-wage areas. Stronger union rights in Mexico have not yet brought sufficient wage increases to workers there. Closing the enormous differences in wages in North America is crucial for protecting and advancing the living standards of working people in all three countries. Any regional treaty must establish clear mechanisms for increasing salaries and labor standards in general for Mexico as part of certifying products for preferential trade access, at least in critical and strategic industries.

Meanwhile, to counter the risks of a continental race to the bottom in wages and labor standards, unions and progressive activists in all three countries should coordinate their own demands and campaigns for wage growth and upward alignment of labor standards. This shared struggle can be enhanced when trade agreements respect and enforce labor rights and standards, rather than undermining them.

Migration and Human Rights

Trump's inhumane scapegoating of migrants for political gain undermines the rights and safety of all in America and sets the stage for broader repression. It has also hurt the U.S. economy: damaging critical industries and disrupting normal international exchange. Of course, sovereign countries must retain control over their borders and immigration, and this would continue to be the case within a cooperative North American framework. But stable and well-resourced border infrastructure, and immigration rules that respect international law and human rights, will facilitate sensible travel and migration while ensuring the integrity of national immigration policies.

The implementation of NAFTA and similar trade agreements with other countries in the global south, along with the local consequences of neoliberal policies in those countries, led to a surge in migration from the developing world to the U.S. and other industrial countries over the past thirty years. According to the American Immigration Council, by 2025 the non-U.S.-born resident population reached 50 million, representing approximately 15% of the total population.[38] The migrant population in the U.S. contributes $651.9 billion in taxes, representing just under 20% of total tax revenue—a proportion greater than their demographic weight. Their contribution to purchasing power in the U.S. economy is estimated at over $1.8 trillion.

[36] See Asenso, op cit.
[37] This approach is proposed by Arindrajit Dube, The Wage Standard: What's Wrong in the Labor Market and How to Fix It, Penguin Random House, 2026.
[38] Data in this section from American Immigration Council, "Immigrants in the United States," 2026, https://map.americanimmigrationcouncil.org/locations/national/.

Migration policy should consider not only national but also regional principles, grounded in human rights. It is irrational that the economies of the United States, Canada, and Mexico have undergone profound legal integration in so many areas, except in the labor market. Large numbers of Mexicans have been economically compelled to emigrate to the United States and Canada, effectively representing an 'export' of cheap labor – and eagerly employed by businesses seeking lower-cost workers. Yet migration is barely considered in trade agreements. Instead, migrants are exposed to egregious human and labor rights violations, especially now that they are being unscrupulously targeted by Trump's ICE forces.

During the last few years, other challenges have emerged, such as the phenomenon of 'digital nomads': American and Canadian citizens who move irregularly to Mexico, facilitated by remote working technologies, to significantly improve their consumption capacity. There are currently estimated to be around 100,000 of such digital nomads in Mexico.

First steps in developing a more humane and realistic migration system within North America would include:

- the immediate abolition of ICE, and ensuring its agents who have violated human rights face immediate justice;
- unrestricted defense of the right to birthright citizenship in the U.S.;
- new policies allowing for general immigration regularization, as has occurred many other times in the past in the U.S.;
- legislation to guarantee that all labor protections, including those ratified within the labor provisions of trade agreement, cover migrant workers;
- the establishment of trinational bodies for standardized approaches to monitoring migrant populations, addressing humanitarian needs of migrants (including those from outside of the USMCA countries), and providing institutional and material support (supplementing the efforts of civil society organizations).

Contrary to the hate speech disseminated by the Trump administration, migration, whether for economic reasons or in search of refuge from violence (generated, in many cases, by the military and economic policies of the United States), is a policy and administrative matter and should not be considered a matter of 'national security.' Framing migration as a national security threat is a precursor to militarization and repression. The USMCA itself states, in Chapter 32.2, that nothing in the treaty shall be construed as obligating either party to share essential security information or preventing them from taking any measures that any party (sovereignly) deems necessary to ensure its own security. The Trump administration has violated this article through the pressure it has levied against Canada and Mexico regarding border security, policing, and military issues.

These directions for stabilizing and regularizing border infrastructure and immigration processing systems are closely aligned with the immigration reform agenda described in the background paper prepared for this project by the Immigration Working Group (see "Comprehensive Immigration Package," by Clara Alvarez Caraveo, Jeanine Erikat, Thai V. Le, Mary Lopez, Patrick Mason, Manuel Pastor, Uriel Serrano). Their call for a well-resourced and democratically accountable immigration infrastructure, working to establish an immigration system that is "welcoming, orderly, and embedded," would address the risks posed to health, safety, and democracy by the Trump administration's authoritarian and militarized interventions.

Regional security problems (such as violence in Mexico linked to the firepower of criminal groups) compel all three countries to implement more effective measures to regulate firearms and control their flow across borders. Due diligence on arms exports must be strengthened in all three USMCA countries, including bans on arms exports to police or military forces that violate human rights. This should be complemented by rules to regulate the domestic sale of weapons (especially assault weapons and rifles). To reinforce this effort, all three North American countries should ratify the global Arms Trade Treaty and incorporate its principles into the USMCA framework (either directly in the treaty or through a separate memorandum of understanding). Funds detected as being linked to illegal arms trafficking in North America should be subject to immediate sanction and restriction, and cooperative mechanisms for the investigation and dismantling of transnational money laundering operations should be established with Canada and Mexico.

Environment and Climate

Continuing climate change poses profound threats to human well-being, as well as to economic performance. Pollution and climate change do not respect national borders, and hence a cooperative multinational approach to reducing pollution and adapting to climate change is needed. Trade agreements must fully respect national sovereignty to regulate pollution, tax polluters, and encourage more sustainable industries and technologies. Future trade arrangements should also feature a cooperative continental strategy to finance investments in climate-resilient infrastructure, supported by government financial institutions (like public investment banks).

The USMCA inherited its Chapter 24 on the Environment in the transition from NAFTA, along with other important environment-related provisions (such as Chapter 23). However, the USMCA does not provide effective means for the parties to guarantee that companies covered by the treaty comply with national environmental responsibilities. For example, there are no measures equivalent to the Rapid Response Mechanism on labor standards to enforce compliance with environmental legislation. Twenty U.S. Senators have urged the U.S. Trade Representative to negotiate a Rapid Response Mechanism for environmental issues.[39] The USMCA established an Environment Committee, but with strictly limited powers. Neither is there any equivalent to "Environmental Attachés" to facilitate cooperation on the environmental agenda with Mexico and Canada; this diplomatic role should be created in a new agreement.

Chapter 24 requires each party (including the U.S.) to affirm its commitment to implementing multilateral environmental agreements – several of which (including the Paris Agreement on climate change) the Trump administration is withdrawing from. A reformed North American trade framework needs to recommit all participating governments to respecting these international agreements. And a specific section on climate change should be included in the chapter.

Another gap in the USMCA's Chapter 24 is the lack of any specific subsection on water. The human right to water must be incorporated as a guiding principle for trade policy, prioritizing access for human consumption over commercial overexploitation.

[39] Jason Asenso, "Senate Democrats urge Greer to negotiate an environmental RRM during USMCA review," Inside U.S. Trade, March 17, 2026, https://insidetrade.com/daily-news/senate-democrats-urge-greer-negotiate-environmental-rrm-during-usmca-review.

Automotive and Industry Policy

Automobiles are one of the most important traded manufactured products and attract special attention in trade policy because of their important spillover benefits: anchoring complex supply chains, providing high wage jobs, and using technology-intensive production techniques. President Trump's stated goal is to relocate all automotive assembly operations in North America to the U.S., which is an obvious affront to the rest of the continent (Mexico and Canada have long had important automotive industries). Meanwhile, U.S.-based automakers continue to lose global market share (now below 10% worldwide), lagging further behind Asian and European producers in quality and technology (including new generations of electric vehicles). A cooperative approach between the U.S., Mexico, and Canada to strengthen the North American automotive footprint, rather than fighting each other over a shrinking continental share and fostering an unwinnable race-to-the-bottom, would be far more effective in boosting automotive production across the continent.

A new continental auto pact would facilitate stronger supply chain linkages and cross-border trade, while ensuring that each country benefits from a broadly proportional share of continental production and value-added. The value associated with head office, research and engineering, and related corporate functions (now located almost exclusively in the U.S.) must be considered in those proportionality calculations. Strengthening the overall proportion of North American auto sales met through continental supply (rather than offshore imports) would help sustain and grow the automotive footprint in each country. This should occur simultaneous with support for the transition to electric vehicles, including developing a robust North American EV supply chain (making the most of North American critical minerals and other inputs).

The development of the continental automotive sector should be pursued in ways that enhance incomes and job security for workers in all three countries, rather than fostering competition among them. Working conditions in automotive plants and suppliers must be closely monitored, as workers often face grueling hours and low wages. Employers should be required to respect minimum sectoral wages and labor standards that reasonably reflect the productivity and economic potential in each country; no-one expects wages to be equalized across the continent, but workers in each country (including the U.S.) must be empowered with strong minimum wages, labor standards, and collective bargaining to win wages and benefits that fairly reflect the value-added they produce.

These principles of active industrial policy can also be applied more broadly to nurture investment and innovation across a broader spectrum of technology-intensive, strategic industries, in order to cooperatively enhance North America's presence and competitiveness. Learning from other successful manufacturing regions (like East Asia and Europe), North American governments should apply the full toolkit of active industrial strategies – from targeted public procurement, to supports for innovation and research, to integrated skills and training programs, to co-investments in strategic investment programs, and public equity stakes in key industries. All these policy levers can contribute to the growth and global success of North American manufacturing. Collaborative strategies engaging contributions from all three countries will be more successful than battling over shares of a shrinking continental footprint.

Dispute Settlement / Investor-State Mechanisms

Investor-state dispute settlement (ISDS) refers to dispute settlement panels through which private businesses can sue national governments for alleged mistreatment and win monetary settlement. The practice has been widely criticized for undermining the democratic policy-making capacity of

governments.[40] The USMCA limited the scope and power of the corporate-oriented investor-state dispute settlement (ISDS) mechanisms built into the original NAFTA. But future trade reforms need to go further and eliminate the role of these quasi-judicial kangaroo courts entirely. Disputes over investment should be managed through national courts and regulations, or through traditional mediation and arbitration processes involving national states (not private businesses) as the fundamental representatives of national interests.

The attempt in neoliberal trade agreements to empower dispute settlement panels that could force national governments to accept the loss of sovereignty over important areas of policy was anti-democratic, and ultimately unsuccessful. The fiction of a 'rules-based order' has been exposed by the repeated application of raw power (most often exercised by the U.S. government, on behalf of large U.S. corporations) to compel smaller trading partners to accept unfavorable terms. A more honest approach to dispute settlement starts from recognition that participation in trade arrangements must be voluntary, and fully respectful of national policy sovereignty.

Countries participating in a trade agreement must preserve their democratic autonomy to enact laws and regulations in the interest of their people and their environment. Enhancing trade and investment between countries should not necessitate signing on to a broader corporate vision of economic governance.

Technology and Digital Trade

International economic linkages are being profoundly impacted by the rise of enormous global high-technology corporations that dominate IT manufacturing, digital trade, AI, and social media activities. The biggest companies, all based in the U.S., are dominating the course of research, stock market trends, regulation, and even politics and culture. The Trump administration aims to enhance the power and profits of these firms – whose CEOs occupied the front row at Trump's second inauguration. Trump has weaponized tariff threats to coerce other governments into abandoning regulations or taxes on U.S.-based tech giants. An example was Trump's successful demand to force Canada to abandon its modest new 3% Digital Services Tax, as a condition of resuming trade negotiations.

A reformed North American trade agreement must confront the threat of oligarchic technology dominance, and strengthen the capacity of all countries (independently and working together) to counterbalance the economic and political power of big tech. Citizens in all three countries will benefit from regulations to protect data privacy, ensure national digital sovereignty (including the right and capacity to safely store data domestically), limit oligopolistic power in internet and digital markets, protect regional environments and energy security against the rapid expansion of data centers, and protect domestic media from the cannibalism of the online giants (whose dominance of online advertising revenues is destroying the financial viability of other news media).

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Reforms in these six areas would mark important progress in addressing some of the most glaring and destructive aspects of the existing North American trade system. Many require explicit changes to the wording of the existing USMCA. But they also require acting through other policy and political channels,

[40] For further background see Scott Sinclair, The Rise and Demise of NAFTA Chapter 11, Canadian Centre for Policy Alternatives, April 2021, https://www.policyalternatives.ca/wp-content/uploads/attachments/The_Rise_and_Demise_of_NAFTA_Chapter_11.pdf.

as well. Workers and communities should pursue every possible avenue to advance the overarching goal of regulating economic growth, so it lifts living standards, environmental quality, and democratic rights, rather than suppressing them. In addition to reforming the USMCA, therefore, complementary actions in sub-national, national, and tri-national fora can help to shift the balance of power in trade and other policies to prioritize well-being over profits.

In addition to these six priority themes, of course, there are many other specific problems and crises that must be confronted in building a North American economy that works for workers, including:

- Agriculture and food: Trade policy must ensure that local communities retain the capacity to produce food for local use (rather than being absorbed into commodified production). Local and national governments must have the power to manage food supply and distribution systems to reduce food insecurity.
- Water: The continent needs a cooperative strategy to regulate water use (including caps on water use by burgeoning industries like data centers or large-scale irrigation) to preserve aquifers and access to safe drinking water. Restrictions on the privatization and commercialization of water, including cross-border diversion schemes, should be embedded in trade policy.
- Energy: North America has the potential to lead the global energy transition, with its enormous resources of renewable and non-emitting energy. Fulfilling this potential requires coordinated public and regulatory support for renewable energy investments. Stronger cross-border electricity transmission interconnections would also support the roll-out of renewable energy capacity, facilitating power exchanges to offset regional fluctuations in wind and solar generation.
- Hemispheric cooperation: Trump's proclamation of the 'Donroe Doctrine', reasserting U.S. dominance over the entire Western Hemisphere, is an aggressive and dangerous assault on sovereignty and peace for all countries in the hemisphere. A reformed and cooperative North American trade policy, fully recognizing and respecting sovereignty of all participating countries, would be the first step in a broader improvement in relations between the U.S. and its hemispheric neighbors.

VI. Conclusion: Democratizing North American Trade

A key reason why neoliberal trade deals were so one-sided in their economic impacts (enhancing the power and profitability of corporations and investment capital but undermining the bargaining power and security of workers in all countries) is because they were designed and implemented in a very one-sided, undemocratic manner. Progressive efforts to win a better vision of trade must therefore be tied to a parallel effort to strengthen democratic structures to oversee the international economy and ensure that the interests and rights of all stakeholders (not just businesses) are ratified and protected. In this context, our vision of a more fair, inclusive, and sustainable North American economy is also a call to democratize trade across the continent.

The greatest fallacy and tactical error of the neoliberal NAFTA negotiation and implementation was the explicit assumption that trade negotiations are the natural and exclusive domain of big business lobbyists. During the NAFTA negotiations, business advisory committees dominated the U.S. trade advisory system, with only token access granted to labor and environmental representatives. Challenging this anti-democratic process, organizations representing labor, consumer, and

environmental interests have grown in number and scope across North America, with potential to inject popular demands into the otherwise corporate-dominated discourse of trade negotiations. Fulfilling this potential, however, also requires a commitment to a more inclusive and democratic trade policy-making process by all three governments.

Going forward, North America needs a more explicit, inclusive, and trinational approach to trade policy development and implementation. Improving the transparency of negotiations and broadening the diversity of perspectives represented in the process would improve the content, political palatability, and outcomes of trade agreements and other regional cooperative mechanisms.

Moreover, improving the democratic dimension of trade policy goes beyond ensuring more democratic participation in the negotiation and approval of future trade agreements. It also requires that trade policies do not curtail or interfere with the democratic autonomy of participating countries to establish policies and structures to protect the welfare of their own communities and populations. Preserving and strengthening the ability of governments at all levels to govern, rather than subverting democratic rights to the interests of transnational business, is a core goal of building a more democratic vision of international trade and development.

The failures of past neoliberal trade policies played a perverse role in fostering the economic and social disenfranchisement that Trump manipulated to help win power. The anger of working-class communities across the U.S., so badly harmed by the effects of corporate-dominated globalization and accompanying neoliberal policies, is legitimate. But Trump's weaponization of that anger, directing it against foreign countries and immigrants (rather than against the corporations whose actions are the ultimate source of the problem), must be challenged by progressive movements. Trump's erratic and aggressive actions – from his constantly-shifting tariffs to his outright threats of invasion and annexation – are making matters worse for those who were victimized by NAFTA and other neoliberal trade deals. Campaigning for a cooperative and inclusive model of North American trade and development would help expose the dishonesty of Trump's trade actions. And combined with other policies to change the direction of U.S. economic policy at home and globally, it would show American workers that it is unrestrained corporate power at the root of their exploitation and insecurity – not workers in other countries who are being harmed by the same policies, and the same corporations.

*For more information on this topic, including the **Policy Brief**, please visit our policy page.*

Contacts: Jim Stanford: jim.stanford@policyalternatives.ca / Thea Lee:: thealee318@gmail.com