

AFL-CIO

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Eric Gottwald
Policy Specialist for Trade and International Economics
AFL-CIO

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Good morning and thank you to Chairman Crapo and Ranking Member Wyden for the opportunity to testify on the future of the United States-Mexico-Canada trade agreement.

My name is Eric Gottwald and I’m here to represent the AFL-CIO, a federation of 64 different unions representing over 15 million workers across our country.

In 2019, the AFL-CIO endorsed the USMCA after working with Congressional allies to ensure the agreement represented a substantial improvement over the deeply flawed North American Free Trade Agreement. USMCA promised a different economic model for North American trade: one based on respect for workers’ rights and fair competition rather than NAFTA’s corporate-driven race to the bottom.

Unfortunately, more than five years since the USMCA entered into force, it is clear that the agreement is failing to deliver for workers in all three countries. The vast majority of workers in Mexico still do not enjoy their fundamental right to be represented by an independent union, while American and Canadian workers continue to face unfair competition and the constant threat of corporate offshoring in search of low wages and standards.

As we approach the 2026 joint review, our position is clear: the agreement should not be granted a 16-year extension without major reforms. Let me share a few areas where the agreement is failing workers, followed by recommendations to improve its performance.

- The USMCA was supposed to rebalance North American trade flows and narrow the United States chronically large, traded goods deficit with Mexico. Yet the opposite has happened: since the USMCA came into force, the United States bilateral trade deficit with Mexico has exploded from \$125 billion to \$263 billion in 2025. This alarming data point tracks with announcements by major multinationals like Stellantis, John Deere, Nabisco and Case New Holland to close U.S. plants and offshore production to Mexico. Simply put, if a measure of its success is a reduction in trade deficits, the USMCA is failing.

- The USMCA also required Mexico to address its corrupt system of “protection unions” and “protection contracts,” where employers sign bogus collective bargaining agreements with illegitimate trade unions that do not represent workers’ interests. Years after the reforms were adopted, protection unions continue to thrive and represent a majority of unionized workers in Mexico today – often without their knowledge or consent.
- The USMCA’s labor chapter requires Mexico to effectively enforce its labor laws, but there is no evidence that this is happening in practice. For example, the newly created Federal Center for Conciliation and Labor Registration (CFCRL) does not even have the legal authority to issue fines on employers who violate the law. On top of this, the Mexican government has consistently underfunded the Federal Center and slashed the budget of the newly created labor courts.
- Unsurprisingly, Mexico’s failure to fully implement the labor reforms is reflected in the lack of progress in closing the wage gap between Mexican workers and their North American counterparts. According to the Economic Policy Institute, Mexican manufacturing wages under USMCA average just \$2.76 an hour - roughly a tenth of what their US counterparts earn.
- Aside from these core compliance failures, new challenges have arisen since the USMCA came into effect. For example, Chinese investment into Mexico has more than doubled, raising concerns the agreement is being used as a backdoor for unfairly traded goods to enter the North American market.

As you prepare for the Joint Review, we recommend the following reforms to ensure the agreement delivers on its promise to lift wages and standards for workers.

- Negotiate a labor action plan with clear, timebound implementation benchmarks for the Mexican government to come into compliance with its obligations under the USMCA’s labor chapter.
- Adopt more bold and direct measures to raise the wages of Mexican workers in the export manufacturing sector. For example, the United Auto Workers and independent Mexican unions have recommended establishing a North American minimum wage for the auto sector, which would boost Mexican workers’ wages substantially, narrowing the wage gap.
- Adopt measures to strengthen the agreement’s Rapid Response Labor Mechanism by ensuring it addresses Mexican companies’ refusal to bargain in good faith with independent unions and unacceptable delays in cases that go to arbitration.
- Restore funding for US labor attachés and independent Mexican unions to assist workers in using the Rapid Response Labor Mechanism to advance their rights.
- Address the economic and security threats posed by China, including by adopting common border measures to address unfairly traded electric vehicles, steel, and aluminum.
- Strengthen the agreement’s rules of origin, expand their scope to additional key sectors, and ensure that non-compliant goods face significant costs to gain access to the US market.

- Finally, strengthen the agreement's weak environmental provisions, including exploring options for facility specific enforcement.

We agree with United States Trade Representative Jamieson Greer that the USMCA's shortcomings are serious and that a rubber stamp of the agreement is not in the national interest.

We strongly encourage Congress and the Administration to use the leverage created by the sunset clause and joint review process to insist on improvements to the agreement so that it delivers on its promise to promote dignity and fair competition for workers across North America.

Thank you again for the opportunity to testify and I welcome any questions the Committee may have.