

Fix America's trade regime

US free trade agreements are hurting America's global partners.
It's time for Obama to make good on his pledge to reform Nafta



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On the campaign trail, [Barack Obama](#) said: "I voted against Cafta, never supported Nafta and will not support Nafta-style trade agreements in the future." The now president has released a statement saying he will [unveil the administration's trade policy agenda](#) ahead of the [G20 meeting](#) in late September. This is welcome news, given that the [Obama administration](#) has been slow to move on this pressing issue – so much so that some critics have suggested that Obama has abandoned this core campaign pledge.

As the administration rightly put top focus on Afghanistan, Iraq and healthcare, Congress has been paving the way for a comprehensive trade reform package that is now ready for the president to incorporate into his new agenda.

Last month the government accountability office [assessed the impact of Nafta-style trade agreements](#) with Jordan, Chile, Singapore and Morocco. The key findings are that trade increased between the US and these partners, but labour and environmental records were poor. In Chile for example, promised US funds for labour and environmental monitoring hardly materialised and "consistently stymied efforts to provide Chile FTA-related technical assistance and cooperation".

The report is welcome but fails to analyse some other very important aspects of these agreements. The GAO's indicator of economic success is that trade and investment with these countries increased significantly since the agreements went into force. [Mexico's](#) experience shows that increased trade and investment may not translate into increased growth and welfare. Yet, the GAO report falls short of analysing the full impact of the agreements on growth and [development](#).

More importantly, the newly introduced [Trade Reform, Accountability, Development and Employment Act](#) (Trade Act) of 2009 would strengthen the GAO's approach by looking at the economic, environmental, labour and developmental impacts of Nafta and other recent trade agreements. What's more, the bill would put in place a process of fixing previous trade agreements and forging new ones based on the GAO assessment.

Fixing trade is too important for it to become the next healthcare gridlock. The world needs to begin trading again, and in a manner that enhances economic growth and development. According to the IMF's recent World Economic Outlook, [world trade is projected to decline by 12.2% in 2009](#).

Closer to home, the longer our third-largest trading partner suffers, the longer we do

Nafta, Mexico's economy only grew at an annual per capita rate of approximately 1.5%. Foreign investment wiped out local firms, so domestic investment slid to 19% of GDP, compared to a pre-Nafta level of 24% of GDP. This is why growth has been so poor in Mexico, say Juan Carlos Moreno-Brid and Jaime Ros in their new book *Development and Growth in the Mexican Economy*.

And that's when the going was good. Mexico has been among the worst hit by the crisis. Industrial production has declined by over 10% this year, and the economy as a whole is projected to shrink by 7.1% despite the frantic effort to save the economy. Mexico's central bank has spent close to \$30bn of its reserves to save the peso since the crisis hit. According to Bloomberg News, Mexico has been selling \$50m daily and \$250m when the peso weakens more than 2% in a day, as it has this week.

Here in the US, Nafta is blamed for job loss, for putting pressure on wages and for increasing the trade deficit. What's more, critics decry that the investment and services provisions in Nafta-style agreements allow investors and governments to sue the US for its legislation on the environment and public health.

Consistent with his campaign promise, Obama should pledge to review Nafta and its clones, fix them where they are not working and create a new template for future agreements. With the Trade Act's initial set of over 100 co-sponsors, the president can add to the momentum fuelled by Congress on trade since he took office.