

# A new approach to free trade

## Trade agreements like Nafta must be renegotiated to improve economic, environmental and public health conditions

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As negotiators have been working around the clock over the past week and a half in Geneva trying to hammer out a global trade deal at the World Trade Organisation, one thing looms in all their minds: How will the next president of the United States deal with trade policy?

If they want business as usual, John McCain is their man. The Brookings Institution has published a useful juxtaposition of the two candidates' positions on trade. Its clear from that analysis that McCain has never met a trade agreement he hasn't liked. He voted in favour of Nafta, Cafta and the US-Peru agreement, and he supports the US-Colombia and US-South Korea agreements religiously.

In stark contrast, Barack Obama was against Nafta (though he was not in the Senate to vote against it). Since in office he has voted against Cafta and does not support either agreement with Colombia or South Korea. He did, however, support the agreement with Peru.

Perhaps most striking is Obama's repeated statements where he has said that he will amend Nafta.

Nafta has not lived up to its promises on either side of the border. In the US, estimates range from Nafta benefiting the economy with a one-time bump in GDP of less than 1%, to Nafta making the economy worse off by losing over 700,000 jobs. In Mexico the results are even more shocking. Despite a monstrous increase in exports and foreign investment, Mexico's economy has not seen growth or prosperity. Economic growth in per capita terms has been just over 1% annually, and poverty and inequality remain persistent. What's more, the Mexican government calculates that the economic costs of environmental degradation have been 10% of GDP each year since Nafta.

Manufacturing in Mexico (which was supposed to serve as the engine of growth due to Nafta) is facing fierce competition from China and generates only 100,000 jobs per year - nowhere near the amount needed to satisfy the close to one million new entrants into the workforce. In agriculture, until the recent price spikes, cheap US corn flooded Mexican markets, putting pressure on already strained local farmers. The results from poor performance in manufacturing and agriculture has been that 500,000 people flee to the

US each year for a better life, and many others migrate to Mexican cities and tourist areas to work in the informal economy where there are no benefits or job security. Those that stay in the countryside do so at subsistence levels.

That is why renegotiating Nafta will not only appease the majority of Americans who now question the benefits of recent US trade deals, it will also be welcome news to many in Mexico. Indeed, under pressure from farmers' organisations, former Mexican President Vicente Fox formally approached the Bush administration about re-examining the terms under which corn and other agricultural products were coming into Mexican markets. Fox is out of office, but farmers' organisations, manufacturing workers, environmental advocates and small businesses remain eager to re-evaluate the deal.

Two Democrats, senator Sherrod Brown of Ohio and congressman Mike Michaud of Maine, have introduced the Trade Reform, Accountability, Development and Employment (Trade) Act to see to it that a President Obama fulfils his pledge. The Trade Act requires a review of existing trade agreements and a renegotiation of those agreements based on the review. It sets terms of what must and must not be included in future trade agreements.

The Trade Act's list on responsible trade policy looks a little like the US-Peru agreement that Obama voted for. That agreement had fairly strong labour provisions that enshrine the International Labour Organisation's core labour standards. On the environment, Peru had to effectively commit to seven multilateral environmental treaties, and vow not to waive its environmental laws in order to attract trade and investment. On intellectual property, the agreement reverses the ban in Bush administration trade agreements on allowing nations to issue compulsory licences (thus revoking patent privileges) in cases of national emergencies such as HIV/Aids epidemics. Finally, the investment chapters of the treaty make it harder for foreign firms to sue governments over environmental and public safety laws that the foreign firms deem as "tantamount to expropriation" as they have under Nafta. The Trade Act goes even farther by outlining requirements for human rights, public services and other matters.

According to the World Bank and the Carnegie Endowment for International Peace, the WTO deal being debated in Geneva is looking like it may yield little more than a paltry \$9-16bn dollars (or less than a penny per person per day) for the poor and where rich countries were projected to see per capita income gains 25 times those in developing countries.

If negotiators want more deals like that, they should pray for McCain. If they want an American negotiating partner that will work to make trade better for the US as well as its trading partners, while protecting the environment, human rights and public health, Obama's record and rhetoric signal that he is a better choice.