John Buell: U.S.-Peru trade deal adds insult to NAFTA's injury

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Late last year, in especially untimely action, the U.S. Senate (with Sens. Susan Collins and Olympia Snowe voting yes) ratified the U.S.-Peru Free Trade Agreement. Just as its predecessor, the North American "Free" Trade Agreement, has been coming under increasing scrutiny and criticism even from some of its former advocates, Congress has now extended NAFTA’s concepts to one more South American nation. Like NAFTA before it, this deal risks further damage to the economic interests of working-class citizens not only in Maine and the U.S. but in Latin America as well.

It is a violation of truth in advertising to call NAFTA or the current deal free trade. Classic free trade agreements of the sort celebrated in the economics courses of my generation, such as Paul Samuelson’s, talked about the efficiency and win-win gains to two nations when tariffs (taxes on imports) were removed. NAFTA and the current agreement lower tariffs, but NAFTA went beyond classical free trade agreements by extending to a larger international arena strong forms of economic protectionism for particular producers.

Patent and copyright principles developed in the U.S. market are now to be imposed on all signatories to future corporate trade agreements. Indeed, this is one of the major reasons U.S. corporate lobbies push so hard to keep expanding the reach of these treaties. Signatories to these pacts are now obliged to accept monopoly control over the production and distribution of new technologies and drugs. This monopoly protection over certain industries, often justified with claims of "incentives for further research," is a clear violation of the principles of market freedom so often touted by mainstream economists.

Here in the U.S., the vast profits generated by patent and copyright monopolies have done more to fund deceptive and demeaning ads than new wonder drugs. They have proved to be major incentive to withholding valuable information from the public.

Regardless of how some U.S. corporate interests may feel about intellectual property, there is no justification for using trade treaties to impose this model on other nations. Making drugs more expensive in developing nations may benefit a few U.S. companies, but at great cost not only to foreign nations but to a larger world community, including U.S. residents, who are put at further risk by the global spread of AIDS and other contagious diseases. Some of the most onerous implications these requirements impose on Peru are blunted in this agreement, but it nonetheless extends this pro-corporate principle more widely.

Just as basically, the Peru agreement continues the basic inequality at the heart of NAFTA. NAFTA imposes a particular type of capitalism on Latin America. Investors are free to invest thanks to the harsh international sanctions that are to follow from any attempt to expropriate their property, but labor's ability to organize in behalf of its rights to speech or strike is not similarly guaranteed.

Advocates of the Peru agreement maintain that unlike NAFTA, it does make International Labor Organization standards, which defend basic labor rights, a part of the new agreement. The kicker, however, is in the details. Unlike the case of many trade agreements among European nations, enforcement of any labor standards in this deal is not entrusted to an independent agency. Trade panels, with representatives chosen by this administration, will deem whether the Peruvian government has violated labor standards. American workers are being asked to entrust their rights to an administration with a consistent record of violation not only of domestic labor laws but also for even more respected traditions of civil and political liberties.

How those Republicans who have consistently maintained they are independent voices can support this treaty is beyond me. Merely to claim that it is less awful than NAFTA is no defense. Because this agreement continues a pattern of disproportionate favoritism to corporate interests, most working-class U.S. and Peruvian citizens would be better off with no agreement.

NAFTA is not the sole cause of working-class woes in the past two decades. It has not sucked away millions of jobs, as its most demagogic opponents claimed, but the unequal terms of trade it guarantees combined with a fierce domestic attack on unions, the minimum wage and occupational regulation have placed intense pressure on the working class. Even a number of the former supporters of NAFTA, including Brad DeLong at the University of California at Berkeley, now admit that NAFTA has not worked out as well as planned. More interestingly, Paul Samuelson is just one of the intellectual fathers of free trade to concede that the gains in reduced consumer prices from free trade may not offset the losses of good jobs.

Other trade supporters now acknowledge that too little has been done for the losers, a category that includes not merely those who directly lost a job but also workers who reduce wage demands in response to corporate threats to outsource their jobs. Those who wish to establish their independence from this administration should concentrate on assessing and correcting the damage that recent trade agreement have inflicted before risking further harm.

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