Globalization Commentaries

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U.S. Trade Policy: Moving Backwards in the 21st Century

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Three years into the Obama Administration, progressives have no shortage of complaints about the president's economic policies, which seem very much at odds with Candidate Obama's soaring rhetoric. Economic policies have been centrist at best. Unfortunately, the President's trade policies may be further to the right than that. He is now counting primarily on Republican votes to push three Bush-era trade agreements, with Korea, Colombia, and Panama. And his trade negotiators are in Chicago wrapping up a negotiating session on the Trans-Pacific Partnership Agreement (TPP), which he promised would be his signature "21st century trade agreement," unencumbered by Bush-era provisions.

Administration proposals, however, are very last-century, drawing more from the disastrous North American Free Trade Agreement (NAFTA) than they do from forward-looking reform proposals. On the campaign trail in 2008 Candidate Obama criticized NAFTA and other trade agreements for giving "broad rights to investors." So what are his 21st century TPP proposals? By all accounts, a broadening of rights for investors.

The administration has taken a step backward on intellectual property, caving in to pressure from the pharmaceutical industry to eliminate reforms in previous U.S. trade agreements that granted greater access to life-saving generic medicines. A recent clarification from U.S. trade negotiators does not address these concerns and has been widely criticized by public health advocates.

But it turns out that the key "21st century" trade proposals have to do with "supply chain efficiency." Secretary of State Hilary Clinton laid them out in a July speech in Hong Kong under the sanitized terms, "regulatory coherence" and "competitive neutrality."

That's deregulation to you and me, and to any government that seeks to play an active role managing its economy. Certainly there are widely ranging and conflicting regulations governing international trade, particularly among the diverse nations involved in TPP negotiations, from Vietnam to Australia. But these proposals go much further than customs reform and trade facilitation, reportedly going as far as proposing that TPP countries establish regulatory coordinating bodies to limit "regulatory conflicts."

Ironically, Clinton presented her proposals touting the TPP as the first trade agreement to promote the interests of small businesses. That's not who controls international supply chains, of course. Clinton says the agreement will help small companies benefit from export markets. Maybe. Will it also help small businesses compete when Walmart moves in? Of course not. As fellow Triple Crisis bloggers Kevin

Gallagher and Lyuba Zarsky showed, 88% of small and medium-sized Mexican-owned high-tech firms in the so-called Silicon Valley of Mexico went out of business after NAFTA opened Mexico's doors to multinational firms.

"Competitive neutrality" is Clinton's euphemism for the administration's attack on so-called state-owned enterprises (SOEs). Multinational corporate lobbyists have a particular hatred for SOEs, as subsidized state-affiliated firms often have a distinct advantage in the domestic market. U.S. labor would also like to see actions to restrict state-owned firms, particularly in places like China. But as Ha-Joon Chang has documented over and over, state-owned or state-supported firms have played a critical role in the development process, not only for developing countries (think Korea and China) but also in developed countries. And they play a valuable role now in TPP countries like Vietnam and Malaysia.

And speaking of SOEs, it is the ultimate irony that among the beneficiaries of Obama's tougher trade negotiations are U.S. auto companies, which were granted extended protection and faster market access under the pending U.S.-Korea Free Trade Agreement. Among those auto companies: General Motors, recently (and successfully) bailed out by the federal government, which still has a substantial equity stake in the company. Our own state-owned enterprise. Should policies such as the successful bailout of the U.S. auto industry during the financial crisis be prohibited by trade agreements, for our trading partners and for the United States?

The Obama Administration's 21st century trade proposals are nothing more than extensions of the failed NAFTA model, updated to account for the greater reach and power of multinational firms and the supply chains they dominate. Obama's proposals do not better balance the rights of workers with the rights of firms. Instead they speed the race to the bottom for workers while seeking to further limit governments' power to manage their countries' insertion in the global marketplace.

What would a 21st century trade agreement look like? A good place to start is the detailed critique of NAFTA by the Task Force on North American Trade Policy, which recognized the need to address asymmetries among trading partners and to acknowledge the important role of the state in correcting the market failures that are often exacerbated when trade is liberalized.