What will Trump deliver on trade?

A new NAFTA could be an even bigger bonanza for business

By Kevin P. Gallagher
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President Trump appears to be serious about changing the terms of U.S. trade deals, having recently drawn up an executive order to withdraw from the North American Free Trade Agreement (NAFTA) to show that he means business about renegotiating the deal. But will President Trump change trade deals to make North American citizens and workers better off—or just business?

NAFTA, which drastically cut tariffs and liberalized financial flows, but did not harmonize social standards, was sold to the American public as a deal where, according to the Peterson Institute for International Economics, "U.S. exports to Mexico will continue to outstrip Mexican exports to the United States," where Mexico would finally "export goods, not people" and all parties would be better off.

There is now a consensus that NAFTA was oversold. The U.S. has a glaring trade deficit with Mexico, NAFTA put downward pressure on wages and regulation for social welfare, accentuated job losses in the most vulnerable communities, and put the governance of global trade in the hands of the most powerful corporate interests in the United States. These impacts are in part due to the fact that the rules of NAFTA were largely written by corporate-led interest groups in the first place.

There are now over 910,000 specific U.S. jobs certified by the government as lost to NAFTA offshoring or imports under just one narrow government program that undercounts the damage. While not a huge number relative to the size of the workforce, new research shows that those losses were concentrated in vulnerable communities in places such as Georgia, North Carolina, South Carolina, and Indiana.

Economists from Yale University, the National Bureau of Economic Research, and the Federal Reserve conclude that at most NAFTA spurred a one time bump in U.S. growth by a mere eight one-hundredths of 1 percent. What small gains did accrue from the agreement flowed to the big corporations and wealthiest households in the country.

Contrary to what President Trump says, losses in the United States have not been Mexico's gain. Indeed, while trade increased significantly in Mexico, per capita growth has hardly budged, environmental conditions have worsened (new research shows that NAFTA shifted pollution-intensive manufacturing to Mexico), and more than two million Mexicans working in farming lost their livelihoods to cheap imports from the United States. From NAFTA's signing and 2007, immigration from Mexico to the U.S. more than doubled. What is more, according to the World Bank, wage disparity increased in Mexico as a result of NAFTA.

Members of Congress and civil society groups have laid out guiding principles for rewriting NAFTA, including the need for strict labor and environmental standards, provisions to lower the cost of prescription drugs, supports for clean energy industries and smart agriculture, and ensuring that the deal doesn't undermine the policy space for rules for financial stability, innovation, and social welfare.

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That means that corporations cannot be allowed to write the rules in the first place. Yet the Trump administration appears to be maintaining the system of official corporate trade advisors that provides special access to business interests while the public and Congress are locked out. *The Washington Post*, in an investigative report titled “Industry voices dominate the trade advisory system,” found that there are 566 private sector trade advisors that can look at U.S. trade proposals and comment on them and that 85 percent represent industry or trade association groups.

Given that big companies have played such a big role in writing the rules, NAFTA’s dirtiest little secret may not come as a big surprise—that NAFTA is largely governed by corporations, not governments accountable to their citizenries. Under NAFTA’s investor-state dispute system (ISDS) thousands of multinational corporations are empowered to sue governments to demand unlimited payments from taxpayers if they think our domestic health, safety, environmental, or financial protection laws violate their NAFTA rights. Decisions are made by three corporate attorneys and are not subject to appeal.

Massachusetts Senator Elizabeth Warren calls ISDS the “clause everyone should oppose.” Under ISDS, corporations have sued the Mexican government for over $200 million and Canada for $157 million. At present, a U.S. company is suing Canada for another $250 million over a moratorium on fracking for natural gas, and another firm—suing for more than $100 over the rejection of a mining permit after a Canadian environmental impact assessment proved the project was detrimental—won its case. These corporate tribunals must be eliminated from NAFTA. By contrast, under the World Trade Organization (WTO), governments settle disputes, not companies.

Will President Trump make the negotiating process fair and eliminate NAFTA’s most damaging provisions? If the rules are written once again by and for corporate elite, most of us will not gain from the benefits of expanded trade. Rather, we will again only bear the costs.