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Continuing Negotiations on Korea Trade Deal Are a Good Sign

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That the administration would not move forward with the same NAFTA-style Korea trade agreement that former President George W. Bush signed in 2007 is understandable, especially given that the recent election showed that perhaps the one issue that unites Americans across diverse demographics is opposition to more-of-the-same trade policy. More reasons include a recent study showing that export growth under past U.S. FTAs was less than half of that to non-FTA U.S. trade partners, and Bush-era reviews of this pact show it will increase the U.S. trade deficit.

Hopefully, the reason the administration is not yet ready to present a final trade agreement is that it has gotten the message that more than "cars and cows" need fixing in Bush's 2007 trade pact text. By not locking into the current text today, the Obama administration has the opportunity to make the fundamental reforms that President Barack Obama promised during his election campaign, including to remove the investment rules that promote offshoring.

Among consumer groups, unions and Democrats in Congress, there is disbelief that the Obama administration could make the severe political and policy error of pushing a Bush NAFTA-style trade agreement with some side letters on various commercial disputes instead of making good on Obama's campaign promises to remove the worst job-killing aspects of Bush's trade deal. They dread that the administration might still do so, with the foreseeable political disaster ensuing. The U.S. Chamber of Commerce, GOP congressional leaders and others seeking more-of-the-same trade pacts want the administration to take ownership of another Bush trade pact that would simultaneously favor their offshoring agenda and put Obama's re-election in peril.

Given the depth of the opposition to the NAFTA model in Congress and among the voting public, the political liability of an Obama flip-flop on his election trade reform commitments by pushing Bush's NAFTA-style Korea deal without delivering the significant changes he promised, including to the job-offshoring investment rules, cannot be overstated. Ohio, Pennsylvania, Wisconsin, Michigan and Indiana are key to the party's 2012 electoral prospects. Democrats won these states in 2008, largely lost them in 2010 and risk losing them again in 2012 if Obama takes ownership of a trade agreement the public views as a jobs-killer.

Background:

During the 2008 presidential campaign, candidate Obama pledged to chart a new course for American trade policy that could create jobs. In speeches, town hall meetings, answers to questionnaires, mailings and paid advertisements in key swing states, Obama said that he would exclude the damaging foreign investor rights and their private enforcement that threaten public interest safeguards and promote the offshoring of jobs. He said that he would include strong, enforceable labor and environmental protections. A comparison of Obama's campaign commitments on trade and Bush's Korea FTA text is available at http://www.citizen.org/documents/g20-korea-obama-comparison-memo.pdf.

The midterm elections featured an unprecedented 205 candidates campaigning on fair trade themes and against the export of U.S. jobs. (See http://www.citizen.org/Page.aspx?pid=502 for a report on this, tables of candidates' use of trade, and links to the 240 campaign television ads against unfair trade.) A recent NBC News-Wall Street Journal Poll found that a record number of Americans across stunningly diverse demographics think current U.S. trade policy has hurt them economically. Here's our backgrounder on the economic implications of the Korea FTA: http://www.citizen.org/documents/g20-korea-econ-memo.pdf. And here's our memo on Obama and the Korea FTA that includes the polling data and political context: http://www.citizen.org/documents/G20%20Korea%20FTA%20Reporter%20Memo.pdf.

The Korea FTA provides an excellent opportunity to implement Obama's promised trade policy reforms to remove the worst job-killing aspects of Bush's NAFTA-style deals. The current text includes the extraordinary investor rights that promote offshoring and expose domestic financial, environmental and health laws to attack in foreign tribunals. Signed before the financial crisis, the pact calls for financial services deregulation that is at odds with the lessons we've learned from the economic crisis and that may conflict with recent reforms made by both the U.S. and Korea. The pact also explicitly forbids reference to the International Labor Organization's conventions that establish internationally recognized core labor standards. It remains unclear if any of these issues have been raised in the recent discussions between the U.S. and Korea.

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