

**The Rising Use of the Trade Pact Sales
Pitch of Last Resort: TPP Foreign
Policy Arguments Mimic False Claims
Made for Past Deals**



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The Rising Use of the Trade Pact Sales Pitch of Last Resort: TPP Foreign Policy Arguments Mimic False Claims Made for Past Deals

Trade debates often begin with economic arguments. But when those prove unconvincing, proponents of more-of-the same “trade” agreements invariably resort to U.S. foreign policy and national security arguments to try to sell unpopular deals to the U.S. public and Congress.

As this study shows, nearly identical “foreign policy” arguments have been trotted out over the past 20 years. For example, failing to pass an agreement is routinely framed as benefitting whatever country is perceived as the current leading threat to U.S. economic or foreign policy dominance – from “Japan” to “Asia and Europe” to “Latin American anti-U.S. populists,” and now, China.

When a new U.S. “free trade” agreement (FTA) is introduced, industry, administration or congressional proponents typically cite promises of export growth and job creation to push the deal. However, Congress and the U.S. public have become increasingly aware that today’s “free trade” agreements are no longer mainly about trade. Rather, the appealing brand of “free trade” has been affixed to pacts negotiated behind closed doors that implement a vast array of domestic policy changes favored by large corporate interests, many of which have been rejected in open venues such as Congress.

Decades of the Same Foreign Policy Arguments

1993 Argument for the North American Free Trade Agreement...*the passage of NAFTA has become a critical and yes, symbolic test of U.S. leadership in the post-cold-war era...To vote the agreement down threatens America's position in the global economy, and could be one more step in making the United States a second-rate power.*

–Rep. Dan Glickman, November 16, 1993¹

2014 Argument for the Trans-Pacific Partnership. *The question is whether the US will take a leadership role in shaping a new course that reflects American values – or whether we will stand on the sidelines as a new order unfolds...The TPP has become a symbol of American staying power. We must see it through.*

–Vice President Joe Biden, February 27, 2014²

But the “free trade” sales pitch has lost its sway as promises made for past FTAs of expanded exports and jobs have gone unfulfilled.

Such is now the case for the Trans-Pacific Partnership (TPP), a sweeping pact under negotiation with 11 other Pacific Rim nations that was initially promoted with such export-growth claims. This pitch has been undermined by government data showing that under two decades of the North American Free Trade Agreement (NAFTA) the United States has lost hundreds of thousands of middle-class jobs, income inequality has grown, the U.S. trade deficit with NAFTA partners has

ballooned, and export growth to those partners has slowed.³ NAFTA was sold with the same export growth and job gains claims initially made for the TPP. Those claims were also used to push for a 2012 U.S.-Korea FTA. Yet after two years of the Korea FTA, used as the U.S. template for many chapters of the TPP, U.S. average monthly exports to Korea have fallen 11 percent and the U.S. trade deficit with Korea has swelled 47 percent, spelling the additional loss of tens of thousands of U.S. jobs.⁴ Such results have turned a majority of the U.S. public against NAFTA-style deals,⁵ and have made it harder for the deals' proponents to advocate for the latest FTA on economic grounds.

When FTA proponents have failed to gain public or congressional support for past controversial pacts using economic arguments, they have systematically turned to geopolitical claims to argue, "this deal is critical for U.S. national security and foreign policy interests." The pitch is typically accompanied by dire predictions that absent passage of a given FTA, U.S. influence would wane, insecurity would rise and specific disastrous outcomes would occur in prospective trade partner countries. Time and again, Congress has passed an FTA only to find that many of those predictions came true in spite of (and sometimes even because of) the pact's enactment.

These historical lessons are relevant to the current TPP debate. As congressional and public opposition to the TPP is rising, the pact is now being framed as a critical bulwark against China. Indeed, claims that the TPP is essential to contain China, to maintain U.S. power in Asia or to better compete against China are increasingly dominating TPP proponents' messaging. These claims falter on a few basic facts: China has been invited to join the TPP (which would enable China to take advantage of increased access to the markets of the United States and other TPP nations); U.S. allies in the TPP have threatened to quit the pact if it is intended as a China containment tool; and past U.S. FTAs have proven utterly ineffective in preventing an increase in China's economic influence.

Another newly prominent TPP foreign policy spin is that the pact presents a choice between the United States imposing "our rules" (assumed to be enshrined in the TPP) or China imposing theirs. The problem with this argument is that many of the rules now included in the TPP represent narrow special interests, and indeed could undermine the broader U.S. national interest. This includes terms that could weaken the United States by increasing income inequality, threatening our financial stability, raising energy and healthcare costs, and further gutting the U.S. manufacturing base that is essential for both our national security and domestic infrastructure. TPP proponents seek to bury these inconvenient facts about the actual terms of the pact by employing a crass "us or them" narrative. Activating Americans' fears about a rising China serves to distract from the relevant policy question: would the TPP benefit most Americans? The few chapters of TPP text that have leaked (and revelations about the chapters that remain secret) offer a clear "no" to that question.

While China's rising economic power and foreign influence are legitimate matters of U.S. interest, the notion that somehow the establishment – or not – of any specific U.S. FTA would control this process is a claim without support in the history of U.S. "free trade" agreement outcomes. Indeed, implementing the numerous TPP provisions promoted by narrow and powerful commercial interests but rejected by the U.S. majority would actually undermine U.S. national interests.

TPP Proponents Are Now Shifting to Old Foreign Policy Arguments

In recent months, TPP proponents have predictably shifted to foreign policy arguments to try to sell the controversial pact. In fact, members of the Obama administration and corporate groups have dusted off the same foreign policy and national security arguments used for past deals – arguments ranging from baseless to bizarre.

These arguments can be summarized as three basic claims, each of which has as little bearing in reality for the TPP as when used to sell past pacts:

1. ***American Power***: If we approve this pact, the United States will maintain or gain economic and political influence in the negotiating countries, the region and the world. Failure to approve the pact would allow [name the boogeyman of the moment] to fill the gap left by the United States, bringing with them a model that undermines U.S. interests. In the TPP debate, this argument focuses on China.
2. ***American Allies***: If we approve this pact, we will strengthen our allies within the negotiating countries who share our free market and democratic values. Failure to approve the pact could push these allies toward protectionism, or could bolster the strength of their domestic, anti-American political opponents.
3. ***American Security***: If we approve this pact, it would bring prosperity and stability to the negotiating countries. Failure to approve the pact would spell poverty and instability, providing a breeding ground for organized crime, narco-trafficking and even terrorism. These likely outcomes pose a sincere threat to our own national security.

Most geopolitical arguments made so far to push for the TPP are “American Power” claims. For example, in a recent opinion piece in the *Financial Times*, Vice President Joe Biden states:

*The US has been the world’s pre-eminent economic power for many years and will remain so for the foreseeable future. But the rise of new economic powers means we will face fierce competition from more places than ever before. America’s economic relations with the rest of the world matter more now than ever before. Countries that throw up protectionist barriers and distort their economies to favour state-owned enterprises are challenging rules of the road that we have relied on for decades. The question is whether the US will take a leadership role in shaping a new course that reflects American values – or whether we will stand on the sidelines as a new order unfolds....The TPP has become a symbol of American staying power. We must see it through.*⁶

Biden’s remarks are a thinly veiled assertion that the United States needs the TPP to counter the influence of China. During the 2012 presidential campaign, President Obama was more candid, stating:

...we believe China can be a partner, but we're also sending a very clear signal that America is a Pacific power; that we are going to have a presence there... We're organizing trade relations with countries other than China so that China starts feeling more pressure about meeting basic international standards. That's the kind of leadership we've shown in the region. That's the kind of leadership that we'll continue to show.⁷

TPP proponents in think tanks and major U.S. media outlets have reiterated and reinforced the “counter China” rationale for the TPP. “Failure to conclude this agreement would have large-scale negative consequences for U.S. leadership in the Asia Pacific region, and risk ceding the game to Beijing,” states Claude Barfield, former consultant to the office of the U.S. Trade Representative (USTR) and current analyst at the American Enterprise Institute.⁸ Charles Lane, an editorial writer at *The Washington Post*, writes, “Beyond its economic impact, the TPP is crucial geopolitically; it’s a key component of Obama’s ‘pivot to Asia,’ whose goal is to counter the rise of China and commit the region to U.S.-style reciprocal free trade rather than Beijing’s mercantilist model.”⁹

The TPP Cannot Serve to Counter China if China Can Join the Pact

Proponents are increasingly pushing the TPP as a way to unite a bloc of U.S. Pacific Rim allies against Chinese domination and to counter economic competition from China. But these arguments directly conflict with Obama administration statements that China would be free to join the TPP, which would grant China the same market access to TPP partners that the United States is seeking. “We welcome the interest of any nation willing to meet the 21st century standards of the TPP – including China,” said then-Secretary of State Hillary Clinton during a November 2012 visit to Southeast Asia.¹⁰ One year later, National Security Adviser Susan Rice echoed the administration’s stance: “We welcome any nation that is willing to live up to the high-standards of this agreement to join and share in the benefits of the TPP, and that includes China.”¹¹

The “standards” of the TPP, as currently proposed, include “eliminating[] tariffs and other barriers”¹² to goods in all TPP countries. That means Chinese products would enjoy duty-free access in the United States, were China to join. But not only would U.S. workers be placed in direct competition with lower-wage Chinese workers with respect to our own market, but U.S. businesses would have to deal with duty-free competition from Chinese businesses for market share in other TPP countries. Perhaps that’s why China has switched from opposition to the pact to actively studying the prospects of joining.¹³ Were the TPP actually planned as a bulwark against Chinese competition, China would not be considered a prospective member.

Even if one assumes that China will not one day enter the TPP (despite the open invitation), the evidence from past U.S. pacts does not support the notion that such agreements limit China’s economic influence. Although the United States has signed FTAs with 11 countries in Latin America (more than in any other region in the world), the pacts have not stopped China from increasing its economic presence in the region.

From 2000 to 2011, a period in which U.S. FTAs with eight Latin American countries took effect, China's exports to Latin America soared more than 1280 percent, from \$10.5 billion to more than \$145 billion. U.S. exports to the region during the same period increased by just 30 percent, or \$73 billion. As a result, the share of Latin America's imported goods coming from the United States fell from 25 percent to 16 percent while the share coming from China increased from 1 percent to 7 percent.¹⁴ This trend has held for major U.S. FTA partners. The share of Mexico's imported goods coming from the United States dropped from 69 percent to 49 percent in NAFTA's first 20 years, while China's share rose from 1 percent to 16 percent.¹⁵

China's role as an importer for Latin America has also increased. The share of Latin America's exports destined for China rose from 1 percent in 2000 to 4 percent in 2011, while the share exported to the United States shrank from 28 percent to 19 percent.¹⁶

For some U.S. FTAs, the U.S. economic presence in FTA partner countries after the pact's approval has fallen not just in relative terms, but absolutely. U.S. foreign direct investment (FDI) in Central America actually decreased after enactment of the U.S.-Central America Free Trade Agreement (CAFTA). The aggregate level of U.S. FDI in the six CAFTA partner countries dropped 30 percent, or nearly \$1 billion, from the year before the FTA took effect in each country to 2012.¹⁷

Meanwhile, investment in the region from other countries grew, diminishing the U.S. share of Central America's FDI even further. This includes growth in FDI in CAFTA countries from Venezuela, undercutting the argument, used by CAFTA proponents to push for the pact's approval, that CAFTA would counter Venezuela's influence in the region.¹⁸ The evidence from past pacts offers no indication that another FTA would prove effective in keeping China's economic influence in check.

Moreover, many of the closest U.S. allies participating in the TPP reject the "counter China" portrayal of the pact as not only nonsensical, but as a threat to their national interests. For example, the governments of New Zealand and Australia, both of which maintain strong economic ties with China, have indicated that if the TPP were intended to impede China, they would abandon the pact.¹⁹ In February 2012, New Zealand Trade Minister Tim Groser stated, "The moment we smelt or sensed that this was an anti-China thing, we'd leave the TPP."²⁰

When confronted by the fact that the TPP cannot be a tool to counter Chinese competition if it is comprised of China allies and open to China itself, proponents of the deal often shift to another variety of the argument: the TPP is a tool for the United States to set international rules before China can do so.

The False Dichotomy of the TPP as "Our Rules" vs. "China's Rules"

Increasingly, the TPP is being sold with an "our rules" or "their rules" narrative, in which a choice is presented between the United States using the TPP to set international rules, or letting China set

rules that the United States may one day have to obey. Vice President Biden implies this choice in stating, “The question is whether the US will take a leadership role in shaping a new course that reflects American values – or whether we will stand on the sidelines as a new order unfolds.”²¹

Third Way, a Washington think tank with a Board of Trustees dominated by financial industry executives, puts the question more directly in its March 2014 report entitled, “The TPP: Who Will Set the Trade Rules for Asia?” The report quips, “Policymakers have a simple choice to make – do we want the United States to make the rules in Asia, or do we leave it to China?”²²

This fear-mongering presents a false dichotomy in which there are only two models and one must be chosen. Juxtaposed against a vaguely scary, if unidentified, “Chinese model” that would hurt the United States, the TPP is presented as the U.S. model and framed as the only alternative.

Missing in this distorted “us” versus “them” narrative is the reality that many of the draft TPP rules would undermine U.S. national interests by increasing income inequality here; raising medicine, natural gas and electricity prices; jeopardizing financial stability and further gutting the U.S. manufacturing base that is essential for our national security and domestic infrastructure.

The TPP is not some pre-ordained extension of the U.S. Constitution that inherently reflects “American values,” as Biden suggests. The current terms of the TPP are just one version of possible rules for Pacific Rim countries – one written largely at the behest of U.S. corporate interests, not broader national interests. The draft TPP text was crafted in a closed-door process that granted privileged access to more than 600 official U.S. trade advisors, most of them explicitly representing corporations.²⁶ It is little surprise then that leaked TPP terms include new monopoly patent rights for pharmaceutical companies that would increase healthcare costs, limits

U.S. Department of Defense Report: Offshoring of U.S. Manufacturing Threatens National Security

An October 2013 report of the U.S. Department of Defense’s Defense Science Board concludes that offshoring of U.S. manufacturing facilities has reduced U.S. living standards and increased national security threats. U.S. FTAs since NAFTA have incentivized offshoring by providing special benefits to firms that relocate abroad and eliminating many of the usual risks that make firms think twice about moving out of the United States. Nearly five million U.S. manufacturing jobs – one out of every four – have been lost, and more than 61,000 U.S. manufacturing facilities have closed since NAFTA took effect.²³ The report states that the offshoring trend has been “causing lower standards of living as a result of the loss of fabrication facilities.”²⁴

The Defense Science Board also finds that the loss of U.S. manufacturing poses a twofold national security threat: “The shift of manufacturing capability offshore also affects U.S. technology leadership by enabling new players to learn a technology and then gain the capability to improve on it. An additional threat to defense capabilities from offshore manufacturing is the potential for compromise of the supply chain for key weapons systems components.”²⁵

The leaked investment terms of the TPP expand on the offshoring incentives of prior FTAs, threatening to exacerbate the hemorrhaging of U.S. manufacturing and the associated threats to U.S. national security.

on efforts to reregulate Wall Street, a deregulation of U.S. gas exports that could increase domestic energy prices for industry and consumers, maximalist copyright terms that could thwart innovation and restrict Internet freedom, new investor protections that incentivize offshoring and more.

The draft TPP rules not only jeopardize U.S. domestic priorities, but threaten to undermine U.S. interests abroad by weakening U.S. allies. The pact, for example, would bar TPP countries from enacting capital controls, endorsed by the International Monetary Fund as legitimate policy tools for preventing or mitigating financial crises.²⁷ It does not serve U.S. economic interests to forbid TPP countries from using common-sense macroprudential measures. Financial crises in TPP countries with strong U.S. economic ties (e.g. Mexico) or financial linkages (e.g. Canada and Japan) could have a boomerang effect at home. And it does not serve U.S. political interests to insist on rules that would expose our Pacific Rim allies to greater potential for financial instability. A wave of anti-American sentiment accompanied the 1997 Asian financial crisis even absent the United States directly imposing such limits on financial stability measures.

It is because the TPP would lock into place many harmful non-trade policies that many congressional Democrats and much of the Obama administration's political base oppose the pact.²⁸ The opposition includes organizations that have never engaged in a "trade" debate before, but see their non-trade policy goals as being undermined by the TPP's sweeping rules.

Similarly, economists that have supported past agreements that actually focused on trade – like Joseph Stiglitz and Paul Krugman – have recently raised warnings about the significant threats that the TPP's non-trade rules would pose to U.S. interests. In a February 2014 op-ed in *The New York Times*, Krugman writes:

I am in general a free trader, but I'll be undismayed and even a bit relieved if the TPP just fades away...What the TPP would do...is increase the ability of certain corporations to assert control over intellectual property. Again, think drug patents and movie rights. Is this a good thing from a global point of view? Doubtful. The kind of property rights we're talking about here can alternatively be described as legal monopolies...Now, the corporations benefiting from enhanced control over intellectual property would often be American. But this doesn't mean that the TPP is in our national interest. What's good for Big Pharma is by no means always good for America.²⁹

Stiglitz offers an even more scathing critique of the pact in a March 2014 op-ed in the *Times*:

When agreements like the TPP govern international trade – when every country has agreed to similarly minimal regulations – multinational corporations can return to the practices that were common before the Clean Air and Clean Water Acts became law (in 1970 and 1972, respectively) and before the latest financial crisis hit. Corporations everywhere may well agree that getting rid of regulations would be good for corporate profits. Trade negotiators might be persuaded that these trade agreements would be

*good for trade and corporate profits. But there would be some big losers – namely, the rest of us.*³⁰

As Krugman and Stiglitz make clear, the choice over the TPP is not a choice between the United States setting the rules or China setting the rules. It is a choice over whether to allow multinational corporations to set rules that serve their own narrow interests at the expense of the interests of the U.S. majority. To borrow from Third Way, policymakers have a simple choice to make – do we want to define our national interests, or do we leave it to the corporations?

Geopolitical Claims Now Being Made for the TPP Have Proven Baseless When Used for Past Trade Pacts

Most national security and foreign policy arguments used to push past U.S. FTAs have proven unfounded. Given the revival of the “American Power” arguments for the TPP and the likelihood that “American Allies” and “American Security” arguments will soon be used for the deal, it is worth examining how FTA proponents have employed these same arguments for past pacts.

In many cases, their dire predictions of diminished U.S. power, loss of allies or foreign instability all came true, *despite passage of the FTA that was supposed to forestall such dangers*. In some cases, these same dangers materialized in part *because* of the FTA. Below is a sampling of national security and foreign policy arguments used by pro-FTA members of Congress to urge passage of NAFTA, CAFTA, the Colombia FTA and the Korea FTA.

NAFTA

American Power arguments

...the passage of NAFTA has become a critical and yes, symbolic test of U.S. leadership in the post-cold-war era. If Congress fails to ratify NAFTA, our country will be dramatically weakened--politically and economically. The defeat of NAFTA will enhance the power of Asia and the European Community to move into our historic and natural territory, and our ability to be an economic and political powerhouse may be a thing of the past...To vote the agreement down threatens America's position in the global economy, and could be one more step in making the United States a second-rate power.

–Rep. Dan Glickman, November 16, 1993³¹

In today's increasingly competitive global economy, Japan and Europe are quickly rounding up allies in formidable regional trading blocs. NAFTA will put together our own strong team, which we will need to compete and win in the face of tomorrow's economic challenges. If we fail to get Mexico on board, and later the rest of Latin America, they could well be picked off by our rivals.

–Rep. Bill Richardson, November 1, 1993³²

However if NAFTA is turned down, Mexico is not likely to simply smile and docilely accept our position. If we miff this opportunity, Mexico is likely to enter into a free trade agreement with Japan or some other major economic entity. That would not be good for the United States and not as good for Mexico as a trade agreement with us, but we should be aware that you can wound the pride of a nation only so many times before it looks for other friends.

–Sen. Paul Simon, October 25, 1993³³

Vice President Biden’s argument for the TPP in 2014 mirrors Rep. Dan Glickman’s argument for NAFTA more than 20 years earlier, down to the particular words used: now the pact is a “symbol of American staying power”; then it was a “symbolic test of U.S. leadership.” The main change has been the foreign country posited as the boogeyman that would assert its regional dominance were it not for the FTA. Now it is China; then it was Japan and Europe.

But the enactment of NAFTA did not prevent Mexico from signing the trade agreements with Japan and Europe that these three Congressmen feared. Within three years of NAFTA’s enactment, Mexico had signed a free trade agreement with the European Union. In 2004, the Mexico-Japan free trade agreement was inked.³⁴ Nor did NAFTA prevent foreign competitors from displacing U.S. trade with Mexico. While 69 percent of Mexico’s imported goods came from the United States in the year before NAFTA, that share fell to 49 percent by 2013. Much of the shift owes to a dramatic rise in Chinese exports to Mexico – the share of Mexico’s imported goods coming from China increased from 1 percent in the year before NAFTA to 16 percent in 2013, despite Mexico having no FTA with China.³⁵ The implicit promise that NAFTA would somehow keep out foreign influence in Mexico proved empty.

American Allies arguments

Rejection of NAFTA will undermine Mexican President Salinas and push the Presidential succession in Mexico toward nationalistic positions.

–Rep. Bill Richardson, November 1, 1993³⁶

If the U.S. objective was to bolster support within Mexico for President Salinas, NAFTA was not a winning strategy. Salinas is reportedly one of Mexico’s most unpopular ex-Presidents due in large part to his push for NAFTA, which wide swaths of Mexico’s populace opposed.³⁷ Indeed, Salinas had to go into exile the year after NAFTA took effect due to political tumult resulting from a currency crisis and the pact itself, becoming one of few former Mexican presidents to no longer reside in Mexico.³⁸

Salinas was replaced as President by Ernesto Zedillo, who assumed “a more nationalistic posture than his predecessor” according to the Center for Strategic and International Studies.³⁹ That is, NAFTA had precisely the opposite effect of that desired by Rep. Richardson – domestic rejection of NAFTA within Mexico undermined the political power of Salinas and helped foster a return to more nationalistic stances.

American Security arguments

[Rejection of NAFTA] will jeopardize capital flows currently stabilizing the Mexican economy.

–Rep. Bill Richardson, November 1, 1993⁴⁰

Fifth, [NAFTA] will contribute to the growth and the maturity of the Mexican economy and thereby alleviate some of the potential for social and political explosions which could set back progress.

–Sen. John Kerry, November 20, 1993⁴¹

Richardson’s fear of “jeopardized[] capital flows” in Mexico were soon dramatically realized, despite the enactment of the pact that was supposed to sustain those flows. The Mexican peso crisis began within a year of NAFTA taking effect. The value of the peso plummeted 40 percent in just over two weeks,⁴² provoking mass economic instability in Mexico.

The crisis also spurred a “tequila effect” of financial crises throughout Latin America, including bank insolvencies, forced devaluation and stock market crashes in major economies like Brazil, Argentina, Peru and Chile.⁴³ Though NAFTA did not provoke the peso crisis, it certainly did not prevent it, and the push for the pact’s passage may have even exacerbated the crisis (see text box on the next page).

Even after the peso crisis subsided, Mexico experienced lackluster economic growth under NAFTA, undercutting Sen. Kerry’s promise that the pact would boost growth. During NAFTA’s first 20 years, Mexico’s average annual growth rate ranked 18th out of the 20 countries in Latin America.⁴⁴ Brazil, Uruguay, Argentina, Suriname, Ecuador, Guyana, Bolivia, Belize and Paraguay – countries that eschewed a U.S. FTA – had growth rates higher than Mexico.

Indeed, NAFTA contributed to significant poverty and instability within Mexico by enabling an influx of subsidized U.S. corn that soon eliminated the livelihoods of about 2.5 million Mexican farmers and agricultural workers.⁴⁵ The mass dislocation pushed down Mexican wages, contributed to a doubling of migration to the United States in NAFTA’s first seven years and fueled the violence of Mexico’s spiraling drug war. A Pentagon report in 2008 warned that Mexico “bear[s] consideration for a rapid and sudden collapse.”⁴⁶ NAFTA failed to prevent the “social and political explosions” that Kerry feared would threaten U.S. national security; if anything, it contributed to them.

Did the Push for NAFTA Exacerbate the Peso Crisis?

Declassified government documents reveal that the U.S. Federal Reserve's (Fed) efforts to facilitate NAFTA's passage may have contributed to the severity of Mexico's peso crisis. As early as May 1993, economists warned in testimony to the U.S. Congress that the Mexican government needed to devalue the peso to avert financial problems.⁴⁷ In early November, devaluation became a more likely prospect, given that the Mexican government was running out of foreign exchange reserves.⁴⁸

In response, the U.S. Federal Reserve's Federal Open Market Committee (FOMC) held a meeting on November 9, 1993 – eight days before the U.S. House of Representatives voted on NAFTA. The minutes reveal that the ostensibly impartial FOMC members feared that a devaluation of the peso could dissuade members of Congress from passing NAFTA. Fed governor Wayne Angell expressed concern that “a significant depreciation of the peso running into [the time of the vote on] NAFTA might be exactly the argument that some would use to say that the United States will be the loser because of the shift in trade. It seems to me that it would be very, very unacceptable to have the shift...toward a devaluated peso, because it could affect the vote outcome.”⁴⁹

To prevent a devaluation that could hamper NAFTA's prospects, FOMC members developed a general “consensus,” in the estimation of then-Fed Chairman Alan Greenspan, that the Fed should make an additional \$2.3 billion of U.S. funds available as loans to Mexico.⁵⁰ Several FOMC members discussed the potential for the U.S. bailout with officials of Mexico's Central Bank.⁵¹ The Mexican government decided not to devalue the peso. While extension of the credit facility soon proved unnecessary given a rise in Mexico's stock market, the FOMC officials' discussions with their Mexican counterparts may have influenced the Mexican government's decision. Days later, Congress passed NAFTA. One year later, Mexico's peso crisis struck, prompting an unsuccessful devaluation of the peso, followed by the currency's freefall.⁵²

U.S. economists have argued that the crisis and its destabilizing impacts were exacerbated by Mexico's decision to not devalue earlier,⁵³ a decision that may have been influenced by the efforts of U.S. Federal Reserve officials to sway the NAFTA vote. Within 15 months of NAFTA's passage, the Clinton administration approved, without a congressional vote, the commitment of \$20 billion of U.S. funds for a bailout of Mexico in response to the deferred crisis.⁵⁴

CAFTA

American Power arguments

Strengthening our mutual economic interest also will strengthen our national security. Twenty years ago, only two of the CAFTA nations, Costa Rica and the United States, were established democracies. Today, all seven can be counted among the free nations of the world.

Unfortunately, however, the forces of totalitarianism and oppression still hover on the edges of these young democracies. Fidel Castro still oppresses the Cuban people and denies them

precious human freedoms. Hugo Chavez moves Venezuela closer and closer to Castro every day. These regimes tend to work to spread their brutal methods and totalitarian philosophies, trying to infect the rest of Latin America and we simply cannot let them succeed. The free nations of Latin America need our support. They deserve our support. That support can be reflected through CAFTA. By linking their economies with democratic capitalism, CAFTA will help gird these nations against the threats at their door. It will strengthen their democracies and provide a model for freedom, a model for freedom seekers--indeed, freedom seekers around the world.

–Sen. Bill Frist, June 30, 2005⁵⁵

By the time CAFTA was under consideration in Congress, the foreign power whose influence had to be circumscribed by an FTA was no longer Japan or Europe, and it was not yet China. Instead it was Venezuela and Cuba that threatened to “infect” Central America with their “totalitarian” model. Frist must have been disappointed when, after CAFTA was enacted, most CAFTA partners established close economic and political ties with Venezuela. The Dominican Republic, Honduras, Guatemala and Nicaragua signed agreements with Venezuela to receive subsidized oil soon after CAFTA took effect.⁵⁶ Nicaragua and Honduras also joined the Venezuela-led Bolivarian Alliance for the Peoples of Our America (ALBA).

And while Venezuela’s investments in Central American countries increased dramatically in the years following CAFTA, U.S. investments in Central America actually declined under the deal. For example, Costa Rica’s FDI from the United States fell \$469 million from 2008 (the year before CAFTA took effect) to 2012 – a 33 percent decrease. Over the same period, Costa Rica’s FDI from Venezuela rose \$142 million, or 566 percent.⁵⁷ CAFTA patently failed to prevent an expansion of Venezuela’s influence. True, Venezuela did not fully impose its economic model on the CAFTA economies. But given that Venezuela has not done so for any other country either, there is little evidence to suggest – and none was cited by Frist – that such impositions would have happened in CAFTA’s absence.

While CAFTA failed to keep out the Venezuelan influence that Frist characterized as the “threats at the[] door” of Central America’s “young democracies,” the pact also failed to curtail internal threats that actually succeeded in overturning democracy in the region. Three years after CAFTA took effect in Honduras, a right-wing coup ousted the country’s elected president, Mel Zelaya. In response, the Organization of American States suspended Honduras’ right to participate in the diplomatic body, citing a violation of the Inter-American Democratic Charter. President Kirchner of Argentina said the coup was paramount to “kidnapping the democratic restoration in Latin America.”⁵⁸ President Obama expressed similar sentiment, stating, “It would be a terrible precedent if we start moving backwards into the era in which we are seeing military coups as a means of political transition, rather than democratic elections.”⁵⁹ If CAFTA was actually intended as a means to “strengthen the[] democracies” of the “free nations of Latin America,” the Honduras coup quickly proved the pact’s failure.

American Allies arguments

An American rejection of the Dominican Republic-Central American Free Trade Agreement would be politically devastating to these democratically elected governments that have staked so much on the promise of this agreement. If they are unable to deliver on the economic improvements they have pledged, these visionary leaders will be pressured to pursue protectionism over liberalization, or worse, failure to enact the Dominican Republic-Central American Free Trade Agreement could lead to the rise of the political elite, a political elite that is hostile to the United States, inclined to demagoguery, and uncooperative in regional security and economic affairs. Again, all one needs to witness is Venezuela's Hugo Chavez.

–Rep. David Dreier, July 22, 2005⁶⁰

Representative Dreier likely would not support Nicaraguan President Daniel Ortega of the Sandinista National Liberation Front, El Salvadoran President Mauricio Funes of the Farabundo Martí National Liberation Front, or former Honduran President Mel Zelaya. Each of these leftist leaders was elected in the national election following CAFTA's passage in their country.⁶¹ Dreier would likely call them “hostile to the United States” or at least “uncooperative in regional security and economic affairs.” At minimum CAFTA did not prevent their rise to power. Indeed, CAFTA may have even contributed to their electoral victories. The parties of Ortega and Funes both strongly opposed the highly controversial pact in the contentious political fights leading up to its passage, which may have influenced voters' decisions to put the anti-CAFTA parties in power in the subsequent elections.

American Security arguments

While trade is a critical component of CAFTA, we must recognize that CAFTA is more than just about trade. We have a national security imperative in passing CAFTA. It is an important component of U.S. efforts to address the conditions that breed instability, terrorism, and international criminal activity. We must help ensure that the countries in Central America have the ability to fight the threats to their democratic institutions. Helping their economic growth is a critical factor to achieving success. CAFTA is the vehicle for achieving such important U.S. foreign policy and security objectives. CAFTA's defeat would harm not only trade, but antiterrorism and antinarcotic efforts as well. Mr. Speaker, I urge my colleagues to support the passage of CAFTA. A vote for CAFTA is a vote for U.S. national security.

–Rep. Ileana Ros-Lehtinen, June 20, 2005⁶²

But Mr. Speaker, we need to understand that CAFTA is more than just a trade pact. It's a signal of U.S. commitment to democracy and prosperity for our neighbors. And it's the best immigration, anti-gang, and anti-drug policy at our disposal... Want to fight the ever-more-violent MS-13 gang activity originating in El Salvador but prospering in Northern Virginia? Pass CAFTA ... Want to begin to ebb the growing flow of illegal immigrants from Central America? Pass CAFTA. Want to curb the still-steady stream of illegal drugs to American streets? Pass CAFTA. Want to help make sure Al-Qaeda and other foreign terrorist groups don't easily utilize the southern border to enter the United States and do us harm? Pass CAFTA.

–Rep. Tom Davis, July 27, 2005⁶³

While the members of Congress' promises of prosperity for Central America have not come to fruition under CAFTA, their fears of increased instability, organized crime, gang activity and narco-trafficking have all been realized since the deal's implementation. The State Department's Central America Regional Security Initiative described the situation over the past few years like this:

Within Central America, a rapidly deteriorating security situation has led to significantly decreased levels of citizen safety, and to the social and economic exclusion of large populations unable to fully participate in thriving, safe communities. Narcotics traffickers continue to establish trafficking routes to and through Central America. The widespread availability of firearms, including those trafficked into the region, has increased their use in the commission of crimes. The continued expansion of national and transnational gangs has created communities of fear where gangs effectively control entire neighborhoods. Organized crime – which takes many forms, from the extortion of money from bus drivers, to corruption by government officials – robs citizens of their confidence in their ability to earn a livelihood and trust in their public officials for solutions to their problems.⁶⁴

With the exception of the far-fetched prediction of growth of al-Qaeda cells in Central America, all of the national security threats that CAFTA's proponents said would emerge without the deal indeed materialized...after the deal was passed.

Colombia FTA

American Power arguments

U.S. leadership in our hemisphere is under threat from competitors, and the administration's inattention to Latin America is a real challenge that we are facing now. But the Colombia agreement signals our reengagement, which is critical to both our economic and our security future... Colombia is a robust democracy with strong ties to the United States in a region that includes several increasingly anti-American governments, especially Venezuela. We must strengthen these ties and pacify any concerns about America's reliability as a partner by ratifying this trade agreement.

–Rep. Geoff Davis, October 3, 2011⁶⁵

While these agreements bring large economic benefits, those responsible for our national security also recognize the geopolitical benefits of building economic ties with key regional allies...[Defense] Secretary Panetta confirmed the role these increased economic ties have on promoting regional security, with Colombia as a prime example of a key ally in a continent with ever changing political dynamic.

–Sen. Rob Portman, October 12, 2011⁶⁶

The United States gives more military and police aid to Colombia each year than to any other Latin American country (totaling nearly \$2 billion over the last six years).⁶⁷ It does not seem that U.S. “reliability as a partner” is really in question, with or without a trade pact. This is particularly true for Rep. Davis's goal of helping Colombia protect itself from Venezuela, or Sen. Portman's goal of “regional security,” both of which seem much more closely tied to military and police assistance

than to a trade deal. With such heavy U.S. funding for Colombia, it is unclear what unnamed “competitors” could enter and displace U.S. influence in Colombia, with or without the FTA.

American Security arguments

The trade agreement with Colombia will advance our national security interests by providing Colombians with alternatives to the drug trade.

–Rep. Geoff Davis, October 3, 2011⁶⁸

Rep. Davis’s argument directly contradicts that of Colombia’s own Minister of Agriculture. Before the FTA was passed, he predicted that if the deal took effect, Colombian farmers would be unable to compete with an FTA-enabled influx of subsidized U.S. crops and “would have no more than three options: migration to the cities or other countries (especially the United States or bordering countries), leaving to work in drug cultivation zones, or affiliating with illegal armed groups.”⁶⁹ Indeed, Colombia’s farmers have already started to experience displacement under the FTA. In August 2013, thousands of Colombian farmers blocked highways as part of a national agricultural strike to call for, among other things, the repeal of the FTA.⁷⁰ Those seeking to provide “alternatives to the drug trade” in Colombia would have done well to not support a deal that made the existing alternative of farming significantly more difficult.

Korea FTA

American Power arguments

South Korea also serves as a critical U.S. ally, both diplomatically and militarily. Our alliance with the Republic of Korea has grown even closer since the March 2010 sinking of a South Korean naval vessel by a North Korean submarine. Currently, the U.S. maintains about 28,000 troops in the Republic of Korea, and our militaries regularly conduct joint exercises...Ratifying the South Korea trade agreement will demonstrate our commitment to this important partner...

–Rep. Geoff Davis, October 3, 2011⁷¹

What's more, I could see how increasing the already booming trade between the United States and South Korea will enhance our security relationship and improve the stability of the Korean Peninsula and, indeed, of the entire Northeast Asian region.

–Rep. Loretta Sanchez, April 8, 2011⁷²

As Rep. Davis noted, the United States has nearly 30,000 troops stationed in South Korea and regularly conducts joint exercises with the South Korean military. Such would seem to be clear demonstrations of “commitment” to South Korea in the face of a North Korean threat. It is unclear why a trade deal would be of much additional consequence in shielding South Korea from North Korea. Indeed, threats from North Korea certainly have not diminished since enactment of the FTA. In 2013 alone, North Korea tested a nuclear weapon, withdrew from pacts of non-aggression with South Korea, launched a cyber-attack against South Korea, and informed foreigners in South Korea that they should prepare for a potential outbreak of war. Despite Rep. Sanchez’s optimism, the FTA has not resulted in more “stability” on the peninsula.

Conclusion

The history of FTA outcomes lends a dose of reality to a TPP debate increasingly punctuated by far-fetched foreign policy and national security arguments. There is no doubt that China is rising as a regional and global power. But the claim that the TPP is a tool that will somehow prevent China's rise is as baseless now as when made for past U.S. pacts that have not had a material impact on the influence of foreign boogeymen.

The TPP will not counter economic competition from China, particularly given that China has been welcomed as a prospective member. The TPP will not empower Pacific allies to act as a bulwark against Chinese influence, given that those nations see China as a partner and given that the TPP's terms threaten to destabilize rather than strengthen them. And the TPP will not allow the United States to set rules in the U.S. national interest, given that the text advances private multinational interests that directly contradict those of the U.S. majority.

The TPP should be debated on the merits of its actual provisions and their likely outcomes, not on the basis of rehashed foreign policy talking points and national security hyperbole that have little connection to the actual text.

Despite the increasing use of geopolitical fear-mongering to support passage of the TPP, the most fearful aspects of the TPP are the terms of the pact itself. These include rules that would threaten the financial stability of the United States and our TPP allies, terms that would jeopardize the safety of our food, a mechanism empowering foreign firms to undermine domestic health and environmental policies, and corporate protections that would drive up the cost of medicines at home and abroad. When stripped of baseless, decades-old foreign policy arguments, the debate over the TPP is a debate over these core provisions. It is understandable why many politicians and pundits use geopolitical fears to try to avoid this debate: the terms of the TPP are clearly not in our national interest.

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