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Globophobia: Why the arguments against the FTAA were flawed

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Special to CNN.com

(FindLaw) --Earlier this month 34 countries from North America and South America gathered in Miami to negotiate the Free Trade Area of the Americas (FTAA). The goal of this agreement is to create a common market that serves 800 million consumers from Alaska to Chile, with the exception of Cuba.

After 10 years of negotiation, the member countries finally reached an agreement, one that was to be fine-tuned by the end of this year -- and more likely by early 2005.

While negotiators were busy putting together the trade pact, globaphobes -- those who fear or oppose globalization -- staged protests outside the conference hotel and in the streets of Miami. Among the protesters were labor unions, environmentalists, anti-poverty groups, and political activists. Although most demonstrations ended peacefully, some protests became violent, and police responded with tear gas, pepper spray, and rubber bullets.

The protesters criticized the FTAA for two major faults. First, the FTAA failed to include environmental and labor standards, thus making it difficult for the U.S. to export to countries of low wages and lax environmental enforcement. Second, the agreement would cost the U.S. millions of manufacturing jobs. This article challenges these arguments and, in turn, considers how the FTAA reflects on the current state of a changing international trading community.

It is impractical to include environmental and labor standards in the FTAA

According to the protesters, the FTAA would benefit multinational corporations at the expense of the general public, the environment, and the working poor. Thus, the Agreement, protesters say, should not be approved unless it is linked to higher environmental and labor standards. Such a linkage would, in fact, be disastrous.

It goes without saying that -- as protesters urged -- we need to improve our

environment, and to help those who have no alternatives but to work in sweatshops under inhumane conditions. However, including environmental and labor standards in the FTAA is not a practical solution to these problems.

Strategically, such a linkage rarely works. The issue is so politically charged that it often becomes a deal-breaker for an international trade agreement. One only has to recall the failed attempt by the Clinton administration to launch the Millennium Round of WTO talks in Seattle.

It is also naive to believe that environmental and labor conditions stipulated in the FTAA would improve the living conditions of the poor and the disadvantaged in developing countries. Quite the contrary would happen.

By requiring developing countries to implement higher environmental and labor standards, the FTAA would make the products from developing countries more expensive, and thus less competitive in the global community. As a result, the economies in the complying countries would deteriorate, and the people in those countries would suffer.

The FTAA will cost U.S. jobs, but will also reflect the uncompetitive U.S. labor force

According to the protesters, the FTAA also would cost the U.S. millions of manufacturing jobs. That is probably true. Because of lower environmental standards and cheaper labor costs, multinational corporations likely would relocate their factories and move manufacturing jobs offshore.

Given the current sluggish economy, Americans are understandably concerned about losing their jobs. And protesters are right. Studies have shown that an international trade agreement like NAFTA (the North American Free Trade Agreement) could cost the country a substantial number of jobs.

However, the increasing lack of competitiveness of the U.S. labor force is not the fault of agreements like NAFTA and the FTAA. Of course, it is easy and convenient to attribute the cheaper labor force abroad to abhorrent working conditions and living standards. But is that really the primary reason why the U.S. workforce is not competitive?

We should also look into other causes. For instance, we should ask: Have recent changes in the U.S. education system -- higher tuition costs, increased class size, reduced course availability, and shrinking financial resources -- made our labor force less competitive?

The FTAA reflects a changing international trading community

In the past few months, the FTAA negotiation process and the failed WTO talks in Cancun have demonstrated that the international politico-economic landscape has changed. It is time that U.S. policymakers recognize this fact.

When developing countries signed on to the WTO Agreements a decade ago, they were divided and unclear as to what they wanted. Some of the issues involved in the Agreements -- such as intellectual property rights -- were relatively new, and arguably of low priority, to those countries.

These days, however, developing countries have become more vigilant, organized, and sophisticated. Led by such heavyweights as Brazil and India and supported by a sleeping trading giant -- China -- these countries have a better sense of what they want.

They understand the importance of their bargains and are willing to take a more aggressive collective stance.

Developing countries' changing stance may improve the international trading system

Contrary to what many commentators have argued, the developing countries' changing stance could actually benefit the U.S., and result in a more harmonized international trading system.

It is always more efficient and effective to negotiate with a group of players who know what they want than with those who don't. It is therefore not surprising that companies provide strategic planning to help labor unions to get organized. An organized union not only will know the preferences of its members better, but also will help speed up the negotiation process and lead to an outcome that is more satisfactory to both sides.

When countries negotiate international trade agreements, they tend to devalue proposals offered by their adversaries even though they will accept identical proposals from their allies or neutral parties. Because developing countries treat the U.S. as their adversary, they often will undervalue proposals offered by U.S. negotiators. If this adversary mind set continues, negotiations in the international trade arena will be very difficult.

It is essential that countries understand their irreconcilable differences before they negotiate international trade agreements. Seen in this light, the FTAA perhaps was not as great a disappointment as some policymakers had perceived. Rather, it is a valuable educational experience that teaches countries how to agree to disagree.

The U.S. government is likely to support the FTAA

Although the U.S. government claims success with respect to the FTAA, the U.S. business community likely will be dissatisfied with the watered-down version of the treaty, which postponed tough decisions on such key issues as agricultural subsidies, market access, and intellectual property rights. As a result, U.S. businesses will likely continue to lobby the U.S. government for stronger protection abroad -- via bilateral agreements, plurilateral treaties and the establishment of regional trade blocs.

Indeed, Washington has already indicated its intention to establish separate agreements with Central American and Andean countries, Panama, and the Dominican Republic. These arrangements are not bad on their face, especially if they are noncoercive by nature. After all, harmonization does not work all the time; nor does it work for every country, every sector, and everybody.

To some extent, bilateral and regional arrangements are effective in addressing local concerns and circumstances. They will facilitate the gradual inclusion of participating countries into the global economy.

Interjurisdictional competition in trade rules is also desirable. Such competition will encourage countries to try out new ideas, thus improving the quality of available legal and regulatory solutions the international community has.

The FTAA is not just about jobs and environmental and labor standards. It also reflects the changing international trading community and helps us understand better the limits of harmonization.

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