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NAFTA should not be the model for the FTAA or the WTO. Unfortunately, having read the text of the draft FTAA, I can see that that's the direction in which they've been headed. The negotiators have learned no lessons from the past 9 years of experience under NAFTA.

1. Investment

For example, in the investment chapter, they are pushing expansion of the right granted to corporations under NAFTA to sue governments directly for acts, including public interest regulations, that diminish their profits.

As Canadians, I know you're probably quite well aware of these types of suits, beginning with the Ethyl case filed back in 1996. This is the US corporation that was mad because your government was trying to ban the fuel additive it produces and about US$13 million of your tax money was used to pay them off. Since then, Canada has faced a bunch of similar suits against laws designed to protect everything from your public health to your postal service.

If these lawsuits are a threat to Canada, they are even more of a threat to poorer nations that do not already have well developed regulations and social protections. If the government of Honduras has to fear an expensive lawsuit will result from a new environmental law, will they pass it?

2. Capital controls:

Likewise, the FTAA draft repeats virtually verbatim NAFTA's sweeping ban on capital controls. Never mind the lessons that could have been learned from the global financial crisis of the late 1990s. Even the IMF learned something from that and is now recommending that some countries use capital controls to help protect them from the volatility of the international financial system. But not the FTAA negotiators. They are just plowing ahead with the same NAFTA restrictions.

3. On labor and environment, the draft FTAA is a step backwards even from NAFTA.

As you know, there are labor and environmental side deals to NAFTA. I've been a big critic of them for not being strong enough. Dozens of workers and others have given testimony regarding labor rights violations as part of this process and despite the mountain of evidence compiled, nothing has happened. I have to say it's particularly upsetting for me to see U.S. corporations continue to violate the rights of workers on the Mexican side of the border, with total impunity. This is despite all the promises made during the NAFTA debate about how it was going to address these crimes.

Environment: Residents on both sides of the U.S.-Mexico border also face rising environmental hazards related to the NAFTA-induced industrial development that has far outstripped investment in environmental infrastructure. Although NAFTA promoters theorized that trade-related economic growth would produce greater environmental spending, research at Tufts Univ. reveals that such expectations were pure fantasy. Despite steady gross domestic product (GDP) growth, Mexican government investment in environmental protection has declined in real terms by about 45 percent since 1994. Environmental funding from a tri-national commission established under NAFTA has amounted to only a paltry $3 million per year. Meanwhile, air pollution from Mexican manufacturing has nearly doubled.

Instead of taking a hard look at NAFTA's failures on labor and environment, the NAFTA negotiators have just completely ignored them. There is nothing meaningful in the draft FTAA on labor and environment – not even side agreements like the NAFTA ones.

So these are a few of my concerns about the current direction of the FTAA negotiations. I have a much longer list too and I'm part of a hemispheric network that includes the major labor federations of the hemisphere, including the CSN here in Quebec and the Canadian Labour Congress, as well as civil society networks in many countries. This Hemispheric Social Alliance has formed to oppose the FTAA but also to propose positive alternatives and I've brought a chart that contrasts this vision with the proposals of the governments. It's based on the idea that trade and investment are not bad, but they should be tools for promoting decent jobs and healthy communities.

If you're looking for some concrete models, I think there's quite a bit to learn from the EU integration experience. Although in recent years the EU has focused far too much on market liberalization policies, in its history it has pursued a number of measures that are worth considering in the context of the Americas.

EU:

Reducing inequality

The EU approach was completely different from NAFTA in that they recognized the need to narrow income gaps between countries and within countries. That way, they wouldn't have the same incentives that we see here in the NAFTA region for corporations to move to lower-wage areas just to exploit workers. Between 1992 and 1999, the EU funneled the equivalent of $212 billion euros in structural funds aimed at reducing inequality. These EU funds have had a positive effect on narrowing the per capita income gaps across member countries. During the last decade, income in terms of purchasing power per person in Spain, Greece and Portugal has risen from 68% to 79% of the EU average. In Ireland, it has risen from around 70% to nearly 120%. Not all of this is due to the EU structural funds, but they have certainly been an important factor. This trend at least partly explains the low levels of immigration from one European country to another, despite the EU's open border policies. Every year, only about 2 percent of Europeans immigrate to another EU country. Of course NAFTA contains no measures related to reducing inequality or dealing with immigration and thus in the NAFTA region we haven't seen anything like this level of income convergence. Since 1992, Mexico's per capita purchasing power has gone from 39 to 31 percent of the North American average. And there continue to be strong immigration pressures.

Harmonising social standards upwards

The EU hasn't done enough on this in recent years, but in the past they have managed to push countries to adopt progressive social legislation. In the 1970s, for example, the European Commission issued a directive requiring member countries to reduce gender discrimination by protecting the right of equal pay for equal work. The Irish government strongly resisted this and applied for a waiver. The European Commission denied it and so Ireland had to adopt equal pay legislation in the 1970s. Ireland also adopted parental leave and rights for part-time workers in response to EU pressure. According to the Irish labor federation, because of the EU, "we have achieved progress that would not otherwise have been made within the culture of our own social policy framework." By contrast, NAFTA -- rather than encouraging governments to adopt stronger public interest regulations -- actually discourages them, since such regulations could be the target of expensive investor lawsuits.

Another EU innovation was the Directive on Works Councils, adopted in 1994. Whereas NAFTA gave workers no new powers vis-à-vis their employers, the works council directive gives worker representatives, at a minimum, the right to consultation and information from management. The requirement applies to companies with at least 1,000 employees in the EU and at least 150 employees in at least two of the member states. Of course these works councils have not corrected the imbalance of power between bosses and workers in the global economy, but they have facilitated cross-border worker solidarity and given workers a bit more of a voice in corporate governance. In the wake of the Enron-style scandals, this is something we should be examining more carefully.

NEW ERA

Although it's hard to be optimistic about the world right now, I think there's a chance we may be entering a new era, which started with election of Lula and other populist leaders in Latin America. Now with the US bungling of diplomacy around the war on Iraq, we could be entering a whole new era of relations between the US and smaller countries. Even if they couldn't prevent war, I think many countries had their eyes opened to the fact that the US government is out of control and there needs to be some countervailing force. And maybe this is the time to try different approaches to economic development, instead of just following the approach advocated by the U.S. government and large U.S. corporations.

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