



The Future of NAFTA and North American Economic Integration

Friday, October 6, 2017

9:00 am - 5:00 pm

Georgetown University Law Center
Gewirz Student Center, 12th floor
120 F St NW, Washington, DC 20001

The UK's decision to leave the European Union after a "Leave" vote in the BREXIT referendum, and the opposition to trade agreements by the leading candidates in the U.S. presidential election, made clear that a backlash against globalization has gained momentum in advanced economies. Once elected, President Trump moved swiftly to leave the Trans-Pacific Partnership (TPP), the signature regional trade negotiation of the Obama administration, and has called for a renegotiation or the North American Free Trade Agreement (NAFTA). This moment offers a valuable opportunity to rethink the course that globalization has taken in the last three decades and to explore alternative paths.

Currently, the two dominant positions in the global trade debate consist largely of a wholesale rejection of globalization and, conversely, a defense of globalization as the enlightened economic path that needs to be better explained. However, this binary choice is too narrow. An alternative position would recognize the gains that societies can accrue from specialization and trade while at the same time dealing seriously with dislocation and negative distributional consequences. This position would also recognize the need for the state to be able to exercise policy autonomy to promote growth and protect societal values. It would also require a reimagining of international agreements and institutional mechanisms currently in place.

The renegotiation of NAFTA offers a concrete case to explore the future of international trade and of globalization. Can the legal and institutional regime of the North American market be changed to accommodate national economic interests without devolving into a mercantilist zero-sum game? Can new policy space be introduced so that States may promote their domestic industries, under certain circumstances and with some time limits, without turning into protectionist and beggar thy neighbor policies? Can NAFTA be reformed in earnest, without glossing over pressing questions about investment, labor standards, immigration, and the environment?

To address the backlash against trade, the parties to NAFTA may have to move at two levels. At the international level, they may seek to change rules and practices that have turned out to be detrimental for them or other aspects of the agreement that can clearly be improved for all. Some of these rules are systemic (is the balance between capital and labor skewed?), some are procedural (is dispute settlement working effectively?), and some are substantive (the degree of protection for intellectual property, where to set the threshold of regional content for attaining NAFTA tariff benefits). Are there ways to ensure countries' regulatory space for industrial policy and growth programs while maintaining a commitment to

open economies? At the domestic level, countries may want to establish more effective mechanisms to distribute the gains from trade and compensate losers. But equally important, they may also want to take advantage of the agreement more deliberately to promote economic growth.

The conference will consist of three panels where participants will discuss how NAFTA has worked for the countries involved, what critical issues ought to be part of the renegotiation, and what countries can do domestically to buttress the benefits of the agreement and distribute the gains more widely.

Conference schedule

9:00 am - 9:15 am: Welcome & Introduction

Álvaro Santos, Georgetown University Law Center/Director, Center for the Advancement of the Rule of Law in the Americas (CAROLA)

9:15 am - 10:45 am: Panel 1 | The Balance of NAFTA

Since NAFTA was first negotiated, 25 years ago, trade between NAFTA parties has grown from roughly \$290 billion in 1993 to 1.3 trillion yearly. Cross-border investment has also increased, the stock of US foreign investment in Mexico rising from \$15 billion to more than \$226 billion today. Furthermore, it is estimated that 25 cents out of every dollar of goods that are imported into the U.S. from Canada is U.S. value content, as is 40 cents out of every dollar of goods imported into the U.S. from Mexico. However, NAFTA has also fallen short of the expectations it created regarding economic growth, wage equalization between countries, and wider benefits to society. This panel provides a diagnosis of NAFTA's effects on its member countries, both positive and negative. We will discuss aspects of the treaty that have been successful as well as those that have not worked well and could be improved.

Chair/Discussant: *Duncan Wood, Director, Mexico Institute - Wilson Center*

Panelists

- Rufus Yerxa | President, National Foreign Trade Council
- Laura Dawson | Director, Canada Institute - Wilson Center
- Gerardo Esquivel | Professor, El Colegio de Mexico
- Simon Lester | Trade Policy Analyst, Cato Institute
- Mark Weisbrot | Co-Director, Center for Economic and Policy Research

10:45 am - 11:00 pm: Coffee Break

11:00 am - 12:30 pm: Panel 2 | Wither NAFTA 2.0?

This panel analyzes the negotiating positions of the U.S., Canada and Mexico. Given NAFTA outcomes, economic outlook and global position for each of these countries, what aspects of the agreement would each like to change? We will discuss potential aspects for consensus and for conflict. What are the relevant sectors for each country? What are their top priorities and their red lines? Where can they offer concessions? Moreover, where are the opportunities for win-win changes and for improving the agreement where it has not been effective? Critics have pointed out an asymmetry between the rights and protections given to capital and labor. Can this imbalance be addressed?

Chair/Discussant: *Jennifer Hillman, Georgetown University Law Center*

Panelists

- Debra Steger | Professor, University of Ottawa
- Melinda St. Louis | Director of International Campaigns, Global Trade Watch

- Antonio Ortiz Mena | Senior Advisor, Albright Stonebridge Group
- Chad Bown | Senior Fellow, Peterson Institute for International Economics

12:30 pm - 2:30 pm: Lunch & Keynote

Karen Antebi, Economic Counselor, Trade and NAFTA Office - Embassy of Mexico in Washington, D.C.

2:30 pm - 4:00 pm: Panel 3 | Domestic Measures to Bolster NAFTA

Critics of NAFTA have pointed out the shortcomings of the agreement in terms of job loss, displacement, and wage stagnation or decline. In the U.S., NAFTA is equated with outsourcing of jobs to Mexico and wage decline. In Mexico, it is held as the source of jobs but also of displacement of millions of farm workers and as a pull factor of immigration to the U.S. If trade theory predicts not only gains but also losses, what could countries do domestically to address job loss and wage decline? What measures can they take to spread the gains from trade, compensate those who lose and make the economic integration more palatable? Furthermore, how can countries increase those gains from trade by promoting growth policies that take greater advantage of the agreement?

Chair/Discussant: *Matthew Carnes, Georgetown University Department of Government/Director, Center for Latin American Studies*

Panelists

- Dany Bahar | Fellow, Brookings Institution
- Celeste Drake | Policy Specialist, AFL-CIO
- Edward Alden | Senior Fellow, Council on Foreign Relations
- Mario Delgado | Senator, Mexican Senate (MORENA)

4:00 pm - 5:00 pm: Closing Reception