

Why Obama shouldn't cave on trade

By Roger Bybee
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Like torch-bearing villagers descending on a heretic's home, leading commentators in the United States and from the United Kingdom have warned US Democratic presidential nominee Senator Barack Obama in menacing terms: stop "pandering" to unions on the issue of unrestrained corporate globalization.

"The kinds of conditions that he has promised labor he would try to negotiate are really non-starters," MSNBC's Andrea Mitchell ominously declared on July 1. "All bets would be off. You can't go there."

Translation: Obama must prove his independence from such special interests by quaffing heartily from the "centrist" chalice of undiluted "free trade".

However it might please the pundits who overwhelmingly support unfettered free trade, for Obama to drink the "free trade" Kool-Aid would be toxic and could cripple his presidential bid. Unfettered "free trade" is immensely unpopular with the American electorate (see below for a summary of polling data) and represents a ruinous economic policy that has decimated working families and industrial communities by gutting the nation's manufacturing base.

Free-trade's shriveling support is openly acknowledged by some of its most ardent champions. "It's a very unpopular position," admits Robert Reich, who identifies himself as a free-trader, even though he fought for strong labor protections to be included in trade agreements when he served as president Bill Clinton's labor secretary. "In Michigan, you can find almost as many free-traders as you can chicken hawks. There are not many."

But it's precisely this "very unpopular" position that a sizable posse of pundits is pressing Obama to adopt in the name of winning over voters in the "center". For example, his call for imposing strong labor and environmental standards in existing and future trade deals would be politically and economically disastrous, proclaim even "liberal" editorialists and pundits afforded major exposure.

Shifting ground

Clearly, Obama's own carefully calibrated, oft-shifting messages on "free trade" have invited this deluge of bad advice. Despite his background as a community organizer among workers whose steel mills had shut down, Obama has at times advocated a passive adjustment to corporate globalization and its most devastating effects. These remarks earned plaudits from The New Republic's Josh Patashnik, who praised a 2005 speech focused not on "stop[ping] trade or globalization" but asserting "the government wasn't doing enough to compensate the losers."

But Obama's increased contact with actual voters during the early primaries showed them to be infuriated with the North American Free Trade Agreement (NAFTA) [with Mexico and Canada, which came into effect in 1994] in particular and "free trade" in general. In the Iowa primary, populist Democrat John Edwards finished an unexpectedly strong second to Obama, largely based on his forceful criticisms of "free trade". Anti-outsourcing Republican Mike Huckabee scored a surprising first-place finish in Iowa.

In neighboring Wisconsin, Obama's advocacy of a hard-hitting anti-outsourcing position was richly rewarded with a big win on February 19 that captured a majority of white working-class males. Outside a GM plant since slated for closing, Obama denounced "a Washington where decades of trade deals like NAFTA and China have been signed with plenty of protections for corporations and their profits, but none for our environment or our workers, who've seen factories shut their doors and millions of jobs disappear."

By calling for NAFTA's re-negotiation and challenging other key elements of the current "free trade" system, Obama provoked a sharp escalation of pressure from the media elite to swear off far-reaching reforms of global trade. Here are four examples: A Seattle Times editorial demanded that Obama "state that he will not backtrack on [support for "free"] trade."

The USA Today editorial board reproached "the candidates' [Obama and Clinton] willingness to pander on free trade – and their party's growing willingness to accept the labor movement's defeatist anti-trade positions."

A New York Times editorial excoriated opposition to unfettered "free trade" as "posturing."

The New York Times Magazine ran a column by financial writer Roger Lowenstein, who argued that Obama's political acumen would be tested by his willingness "to reclaim a moderate position on trade."

Steady drumbeat

After securing the nomination, Obama evidently felt the pressure to soften his profile on trade in a Fortune magazine interview, offering that his anti-corporate globalization rhetoric may have gotten "overheated and amplified", and left his final position ambiguous and open to widely varied interpretations. Meanwhile, the drumbeat of pundits calling for Obama to fully repudiate his anti-free trade position continues unabated.

For example, on June 30, the BBC's Matt Frei sternly warned in Newsweek that "the Obama campaign has virtually issued an ultimatum to Mexico and Canada to renegotiate NAFTA on American terms - or else. It has done this presumably to pander to much-needed union votes."

Since most leading pundits are based in Washington, DC, they miss the daily experience of driving past empty factories, boarded-up storefronts, and foreclosed homes that

millions of Americans attribute to the outsourcing of jobs encouraged by NAFTA and other examples of "free trade".

Witnessing deindustrialization and community decay has persuaded most Americans that "free trade" is a formula for lost jobs, falling wages, economic insecurity, and shattered lives as suicides, abuse, family breakups, criminality, and alcohol and drug abuse follow in the wake of shuttered plants.

"Free trade" with Mexico (NAFTA's estimated US job loss: over one million) and China (nearly 2.2 million jobs lost, according to economist Robert E Scott at the Economic Policy Institute) in particular has established repressive, low-wage platforms from which US corporations export products back into the United States while laying waste to blue-collar neighborhoods and industrial communities across America.

The export of US jobs to China is so intense that China is about to overtake the United States in manufacturing. Yet the opinions of the vast majority of pundits and editorialists remain fundamentally fixed and impervious to nearly 15 years of experience with NAFTA and a similar period of intensified trade with China.

A New York Times editorial presents the dominant yet simple-minded, almost cult-like belief in corporate globalization's inevitably beneficial effects: "[T]rade is good for the economy, providing cheap imports ... and raising living standards." With rigid uniformity, the punditocracy repeats as if by rote this "trade is good" mantra again and again, leaving them too entranced to comprehend that that "cheap imports" are premised on perpetuating repressive, low-wage sweatshop conditions.

Intra-firm transfers

Moreover, a substantial portion of this international commerce hardly qualifies as "trade," since it is composed of "intra-firm transfers" within the same corporation. This term refers to US-based firms exporting machinery for new factories and parts for final assembly to their very own subsidiaries outside the United States, and then re-importing through finished products produced by low-wage workers.

In the case of Mexico, as a New York Times news article revealed, US-owned assembly plants located just inside Mexico produced US\$78 billion in exports in 2002, but nearly two-thirds of that sum came from American parts assembled in Mexico and then re-exported to the United States.

Looking at China, fully 60% of "Chinese" imports into the US market originate from US-owned firms taking advantage of China's extremely low wages and repression of labor rights.

Each element of the free-trade faith shatters when it collides with reality, but America's leading commentators, with few exceptions, have stuck to their fundamentalist beliefs.

One of the most zealous, the influential Fareed Zakaria, Newsweek International's editor, TV host, and best-selling author, thunders, "There are no serious economists or experts who believe that low wages in Mexico or China or India are the fundamental reason that American factories close."

Economists aside, plenty of US chief executives believe fervently in the attraction of low wages. As a Wall Street Journal headline once frankly stated, "US Companies Pour Into Mexico, Drawn Primarily by One Factor: Low Wages."

Polling data

Most Americans, according to considerable polling data, don't indicate that Obama would win votes if he were to swallow the pundits' advice on trade on 9/2/2008:

Outsourcing: More than three-fourths of Americans "felt that increased outsourcing has hurt American workers", according to a 2006 Pew Research poll.

Labor standards: "The US public is nearly unanimous in its support of requiring that both labor (93%) and environmental standards (91%) be included in trade agreements," according to the Chicago Council on Global Affairs/World Opinion, which released a poll on this topic in 2007.

Even the wealthy are questioning trade's benefits: A poll carried out by the University of Maryland's Program on International Policy Attitudes in 2004 found that that support for active promotion of more free-trade agreements had plummeted to 28% from 57% over the previous five years among Americans earning at least \$100,000, and that this decline was sharpest for the rich. No doubt the fast-growing phenomenon of outsourcing professional jobs helps to explain this shift.

Republican support weak: An AP-Yahoo poll conducted mainly this past April found that Republicans were evenly divided on the wisdom of creating new trade agreements, and that two-thirds of Americans felt that the increase in trade had hurt the US economy. "John McCain is bullish on free trade. The country isn't," an Associated Press article about the poll pointed out.

In other words, opposition to corporate globalization, especially the outsourcing of jobs and downward pressure on US wages, is broadly and intensely felt across party lines and demographic categories. By decisive margins, the vast majority of Americans view unrestrained "free trade" as fundamentally threatening. Therefore, for Obama to stand against unrestrained corporate globalization and job outsourcing can only be described as occupying the genuine center of US politics.

Moreover, there have been gathering signs that a powerful appeal against corporate globalization might reach at least some of the base of the "values-driven" Christian right-voting bloc that has been a key part of the Republican coalition.

For example, conservative commentators Lou Dobbs and Pat Buchanan owe much of their following to their fierce and surprisingly cogent denunciations of "free trade", as well as their xenophobic attacks on illegal immigration. Huckabee, with surprising success, tapped a similar vein among Republicans in the primaries.

Evidently, the abandonment of US workers, small supplier companies, and communities by US firms relocating overseas seems to represent for many Republicans a repudiation of fundamental values such as loyalty and rewarding hard work.

But despite the considerable ferment among Republicans caused by the loss of US jobs, Republican nominee Senator John McCain remains still standing foursquare behind "free trade".

"You got [sic] to stand on principle. I believe in the principle of free trade," McCain declared while visiting Colombia this summer. McCain's enthusiasm for "free trade" is more in tune with those of foreign leaders. Fareed Zakaria claimed: "The Bangkok Post has compared the Democrats unfavorably with John McCain and his vision of an East Asia bound together, and to the United States, by expanding trade ties."

In an attempt to reach Democrats, McCain proudly added while in Bogota, "I am also closely aligned with President Clinton. President Clinton is the one who signed the free trade agreement with North America." McCain's fervent embrace of "free trade", even including very dubious partners such as the Colombian government, thus creates a unique opportunity for Barack Obama to mark a sharp distinction with his rival.

Showing a forceful commitment to reshape global commerce around values such as decent living standards, environmental safeguards, and human rights could potentially exert a powerful appeal among independents, the base of the Christian Right, and economically-insecure Republican professionals.

But if Obama softens his critique of corporate globalization in the face of remarkably uninformed but still vehement barrages from pundits and editorialists, he'll diminish the contrast with McCain on a key issue that touches both on deeply felt values and basic economic needs as America slides into hard economic times.

Moreover, Obama's attempts to appease the pundits on trade will reinforce a longstanding Democratic problem with even their own base, particularly blue-collar voters: the public's perception that the Democrats are unwilling to take clear stands and fight tenaciously for their interests. This issue was sharply posed in John Halpin and Ruy Teixeira's analysis of data based on Democracy Corps' polling.

They found that "a majority of Americans do not believe progressives or Democrats stand for anything."

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