

McCain Pledges Allegiance to NAFTA

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John McCain continues his rousing campaign tour of the swing states of NAFTA this week. He will celebrate July 3rd in Mexico City after a jaunt through Colombia to pledge support for the pending free trade accord with that center of cocaine trade. He surely will increase his margin over Obama among business elites in Mexico and Canada. Obama will travel to Zanesville, Ohio, once more exposing himself to McCain's jibes about embracing "protectionist" policies.

No, this isn't a joke. McCain is stumping Colombia today and Mexico tomorrow, a week after his visit to Ottawa, championing NAFTA to business elites in those countries.

McCain's has a pat routine for these junkets. He piously intones homilies on the benefits of free trade: "We need stand up for free trade with no ifs, ands or buts about it. We let trade and globalization be politicized at our own peril." He repeats a sanctimonious pledge never to "dishonor" America by even contemplating any deviation from the "sacred" NAFTA treaty. He issues stern condemnations of the dangers of "mindless protectionism." And expresses his fervent faith in the ability of American workers to compete with anyone anywhere.

You can't teach old dog new tricks, goes the old saw. And with McCain, it seems ever more obvious that you can't trust an old salt on a new ocean. He simply doesn't get it. For years, the trade debate featured the mantra he repeats above. Trade, by definition, benefited America. Sure, a few privileged union workers might lose their cushy jobs and padded salaries, but they would find new jobs in the expanding global economy. Americans would prosper from investments abroad, our financial services industry would capture the high end of the expanded world economy; we'd sustain our manufacturing edge by becoming more productive; we'd benefit from lower priced goods imported from abroad. The earth was flat, Tom Friedman taught us, and we're all the better for it.

Except it hasn't quite worked out like that. Productivity went up, but wages stagnated at best and insecurity increased. Corporations clubbed workers with the threat of moving abroad, and cut back on salaries, job security, and benefits like health care and pensions. Families went ever deeper into debt as the cost of basics -- education, health care, retirement security, and now food and gas -- soared. More and more workers lost good jobs, only to be forced into those that paid less with fewer benefits. And now with the global workforce effectively doubled as China and India and the former Soviet Union joined the global maw, it isn't just industrial workers at risk, but some 30 million jobs that could face off-shoring, according to sober free trade advocates like Alan Blinder.

Financial services did prosper, until their greed and gambling blew up in the housing bubble.

The US went further and further into global debt, running up trade deficits that are still \$2 billion a day despite the decline in the dollar. Last month, the Chinese announced they were netting \$2.5 billion a month -- \$100 million an hour -- in foreign exchange. Their sovereign investment funds are now hunting for good deals across the world.

NAFTA, sold as a source of jobs for the US and a solution to the immigration flows from Mexico, hasn't worked that way either. Our trade deficit with Mexico has soared from a basic balance before NAFTA to an all-time high of \$74.3 billion last year. Mexico now exports more cars to the United States than the US exports to the world. Immigration tensions grew as small farmers got displaced in Mexico by subsidized US food exports, and started coming North in large numbers.

Elites found ways to protect themselves. Lawyers, doctors, prescription drug companies use licensing and patent laws to protect their wages and profits, but most Americans worry about how their kids were going to sustain a middle class life style. Globalization isn't the only reason the middle class is declining -- the war on labor, the worship of the CEO and other factors contribute -- but it certainly is a significant part of the reason.

And across the world, developing countries discovered the NAFTA model didn't work for them either. The countries that have enjoyed success -- the Asian tigers, China -- play by a very different set of rules. They target industries, and pursue aggressive mercantilist policies to capture export markets. They run up large foreign reserves to be able to protect their currencies from global speculators. China's bosses have been happy to lend us the money to keep buying the goods our companies were making over there -- and will manipulate the value of their currency until they capture the markets they are seeking. But it is hard to argue, as McCain does, that free trade is spreading democracy across the world when the most successful economy is a communist dictatorship.

Now even champions of free trade like former Treasury Secretaries Bob Rubin and Larry Summers admit this hasn't quite worked out as they hoped. Across the world, the revolt against the corporate trade model is growing. In the US, a majority -- 58% -- of those polled in a January 2008 Wall Street Journal/NBC survey agreed that "globalization has been bad... because it has subjected US companies and employees to unfair competition and cheap labor."

We face not a choice between "free trade" and "isolationism," as McCain claims, but the challenge of developing a serious strategy for sustaining a robust middle class in a global economy. It isn't a choice between keeping our word and "dishonoring" our commitments, but making a clear reassessment of how we get out of the hole we are in.

Senator Sherrod Brown of Ohio was elected to office in 2006 in a campaign focused on opposition to the trade treaties that have devastated manufacturing jobs in that state. He now has joined with other Senators, unions, family farm groups, religious and public

interest groups to put forth the TRADE Act. The act calls for a halt on all new trade accords until the US Comptroller General undertakes a comprehensive assessment of the benefits and the costs of our current agreements, looking at who has benefited -- here and abroad -- and who has suffered. The Act then calls for developing a strategy that insures that the benefits of trade are widely shared, that we pursue a policy designed to benefit working people and Main Street, and not simply Wall Street. Barack Obama has laid out elements of an alternative strategy that may form the basis of a new course.

McCain's response to this is like an Inquisition priest discovering free thinking in the pews. Doctrine is sacrosanct. Questioning it is dishonorable. He calls upon Americans to sustain the course we have been on, like lemmings marching stolidly to the sea.

He pretends this is an American tradition, claiming that "every time the United States has become protectionist... we've paid a very heavy price" But this ignores the entire history of this country's rise -- with sharp eyed mercantilist trade policies behind tariff walls -- to a world economic power with a broad middle class. "Yankee traders" were famed for cutting a tough, practical deal, not for sacrificing their interests for ideological principles.

Nor is McCain such an innocent. He says we mustn't "politicize" trade accords, but trade accords are already heavily politicized. Every trade agreement -- particularly NAFTA -- features fierce lobbying over every clause. McCain knows this because his entire campaign is staffed from top to bottom by corporate lobbyists, many of whom have earned a hefty buck lobbying to influence and pass trade accords. If McCain is elected, their clients know that they are in line to be first to the trough.

Saint John doesn't sully his rhetoric with these unseemly realities. He seems to want to make trade policy a centerpiece of his election campaign, and doing so will surely help him raise some dough. Barack Obama should take him up on it. Let McCain stump the business elites of Mexico City, Bogota and Ottawa. Obama can join Sherrod Brown championing the concerns of working people in Zanesville and Flint and Pittsburgh. Let voters decide which candidate has his priorities right.