

Why on Earth Are Hillary and Obama Supporting Pro-Corporate Trade Deals?

By Joshua Holland
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With the announcement that Hillary Clinton will join Barack Obama in supporting a new trade deal with Peru that passed in the House last week -- the first in a series of "free-trade" deals that are based on the deeply unpopular NAFTA model and being pushed through Congress by the Bush administration -- the divide between the two Democratic front-runners and the American electorate couldn't be clearer.

There's certainly no constituency for it within the universe of Democratic primary voters -- all of the Peruvian and most American unions oppose it, as do key environmental and anti-poverty organizations -- and it certainly won't win any "swing" voters to the party or make the Democratic brand more popular in any battleground states.

I asked Todd Tucker, research director of Public Citizen's Global Trade Watch, who really stands to benefit from the deal. He didn't hesitate before rattling off a dozen multinationals including Citigroup, Occidental Petroleum and Wal-Mart, all of whom, according to Tucker, have "put their full might into getting the Peru deal passed, including showering millions in congressional campaign donations since January alone." Tucker told me their wish list includes "privatized social security systems for Citi, rainforest-destroying oil extraction for Occidental, and a push to Wal-Mart's efforts to buy out Peru's retail sector, just as they did in Central America just days after Bush signed [the Central American Free Trade Agreement]." In addition, General Mills, (and the Grocery Manufacturers Association PAC, which supports it) wants the deal to go through because it grows most of its canned veggies in Peru (decimating onion, asparagus and pea farmers in the United States) and is now moving its processing facilities down there. Citibank, along with other financial services firms, wants the deal because it would allow the firm to sue the Peruvian government for damages if progressive activists succeed in reversing a disastrous social security privatization scheme that's screwed over millions of Peruvian retirees.

The rest of the field has come out in opposition to the Peru agreement, and one candidate, Dennis Kucinich, has gone so far as to call for abolishing the WTO. But like Obama and Clinton, Joe Biden, Christopher Dodd and Bill Richardson are all enthusiastic, self-described "free traders." It's John Edwards, considered a distant third in the race by the punditocracy, who is making the Peru deal into an issue that he hopes will speak to the candidates' overall judgment as well as their concern for issues of economic justice. "Like the failed free trade agreements before it," he said in a statement, "the Peru Agreement puts the interests of the big multinational corporations first, ahead of the interests of American workers and communities."

Supporting the NAFTA model does speak to the candidates' judgment. Obama said that he'd vote for the Peru deal because "it contained the labor and environmental standards sought by groups like the AFL-CIO," but the AFL-CIO released a statement saying that, because of "several issues of concern to working families," the AFL-CIO "is not in a position to support the Peru FTA." "Labor and environmental protections" are a scam -- Tom Donohue, head of the U.S. Chamber of Commerce, said that his members were "encouraged" by assurances that the deal's labor provisions "cannot be read to require compliance."

Obama went on to insult the intelligence of a crowd of New Hampshire residents by explaining: "We cannot draw a moat around the U.S. economy because China is still trading, India is still trading." But objecting to these new NAFTA-style deals has nothing to do with moats. We already have a treaty with Peru, and 150 other countries, that established a rules-based trading system, complete with a dispute-resolution process. It's called the WTO, and fair trade activists -- many of whom also happen to make up a large chunk of the Democratic party's base -- already object to that institution's consistently giving too much to investors without paying more than lip service to protecting other stakeholders. No real Democrat should talk about "moats" when we have binding trade deals in place covering 98 percent of the planet.

The plain truth is that there's no half-way decent argument for supporting the Peru deal, and that may be the most offensive part of the whole thing: It shows that on a fundamental level, Hillary Clinton, Barack Obama and their respective campaign staff think that the American electorate -- you and I and all the people we know -- are stupid.

It's certainly difficult to interpret Clinton's justification for supporting the deal any other way. After waffling on the issue for a couple of days, her campaign released a statement saying she'll vote for the Peru FTA because it "levels the playing field for American workers." Apparently we're supposed to believe that Peru, mighty economic behemoth that it is -- it has an economy approaching the size of Connecticut's -- has been using its vastly superior technology, infrastructure, access to capital and its firms' huge economies of scale to run roughshod over its American competitors, and only the Peru "free trade" agreement will give America's working stiffs a fair shot to compete on a level playing field.

The deal's significance is not in its impact on American workers -- those who say it will kill jobs here don't appreciate how insignificant our trade with Peru is in the big picture -- but the opportunity it gives us to take a hard look at where the candidates stand on the model itself. Clinton said she'd oppose the next deals coming down the pike: treaties with Panama, Colombia and South Korea. Given that they are all substantially similar -- the Panama deal, in particular, is basically identical to the Peru agreement -- I asked democratic strategist and columnist David Sirota if he had any insight into what game she was up to. "What's going on here," he said, "is that she is endorsing the NAFTA trade model, but saying that she has problems with certain countries' specific behaviors. And that's what's really telling. She is saying she has no problem with trade deals rigged to

crush American and foreign workers on behalf of Wall Street, and that the only real reason to ever oppose that model is if there are other problems/complications with the specific country in question."

But it's the model itself that's flawed. Just a few weeks before the House OK'd the deal, a study by the Economic Policy Institute's Josh Bivens found that our neoliberal trade policies have depressed the wages of 70 percent of the U.S. population. What's more, Bivens argued that much of what's wrong with the policy has long been known by D.C. lawmakers. As a summary of the paper by Public Citizen noted:

Anytime a pundit or politician invokes the notion that our trade policy is a "win-win" proposal, they are at worst lying or misleading the public, and at best equating the considerable gains going to the top end of the income distribution with a scenario where the gains are widely shared (something that has not happened and could not happen without massive tax increases on the wealthy and government redistribution of a magnitude that is not being at all discussed by leading presidential candidates of either party).

This needs to be put into a larger context: The benefits of a wide-open global economy are routinely and wildly overstated. In fact, what the pundits call "pro-growth" policies are not expected to yield much in the way of growth at all, and some data indicate they even slow down economic growth for most countries ([PDF](#)). According to a study by the World Bank -- no hotbed of democratic socialism -- eliminating every last "trade barrier" in the world, ever tariff and every import control would increase the world's economic output by less than a penny on the dollar by 2015. But those gains wouldn't be spread equally around the global economy, and for countries like Peru, they'd likely be more than offset by the costs.

Of course, politicians are in the business of being elected first and foremost, so I'd find Clinton and Obama's stance less offensive if there was the potential for a big political payoff at the end of the day. There isn't: Polls show that Americans are ambivalent about D.C.'s trade consensus at best, with about as many saying it's hurt working families as saying it's helped. As Ken Scheve and Matt Slaughter -- two boosters of so-called "free trade" -- noted in a recent article in Foreign affairs:

... An ongoing NBC News/Wall Street Journal poll found that from December 1999 to March 2007, the share of respondents stating that trade agreements have hurt the United States increased by 16 percentage points (to 46 percent) while the "helped" share fell by 11 points (to just 28 percent). A 2000 Gallup poll found that 56 percent of respondents saw trade as an opportunity and 36 percent saw it as a threat; by 2005, the percentages had shifted to 44 percent and 49 percent, respectively. The March 2007 NBC News/Wall Street Journal poll found negative assessments of [the current model of globalization] even among the highly skilled: Only 35 percent of respondents with a college or higher degree said they directly benefited from the global economy.

The interesting thing about opposition to corporate-led globalization is the degree to which it's independent of ideology or party loyalty. Republicans, Democrats and independents are all equally ambivalent. That "fair" rather than "free" trade is a winning

position politically was made clear in last fall's midterm landslide, an election in which just about every candidate that knocked off an incumbent or grabbed an open seat ran against the bipartisan "free trade" consensus.

Given the political landscape and the very significant policy issues raised by labor and environmental groups, there's no reason in the world to support these deals. Accept, that is, for the campaign contributions that corporate America can generate. So while there exists a solid body of empirical research that's shown that most people's perception of the relationship between campaign cash and politicians' votes is overstated -- that there's no clear quid-pro-quo -- it's hard to see any other explanation for supporting a deal like the Peru FTA. The treaty itself is unlikely to hurt Americans all that much, so the calculus must be that they can make some donors happy without paying a price. It's hard to pretend that the two Democratic candidates' support for a deal opposed by U.S. labor but being lobbied hard by Citibank and JP Morgan has nothing to do with the fact that they're 1-2 in contributions from commercial banks and are both in the top three in contributions from securities and investment firms. As Bush has ridden the GOP brand into the gutter, the corporate money has been shifting to the Dems. It started with the lead-up to last year's midterms, when the New York Times described a "shift in political giving" from corporations that had "not been this pronounced in the final stages of a campaign since 1994, when Republicans swept control of the House for the first time in four decades." The trend has continued this year.

Contrary to most of the reporting on the trade front, none of this is about whether the Democrats have an adequately "big tent." It goes beyond ideological diversity; these issues get to the core of what it's supposed to mean to be a Democrat: Are you or are you not working for the good of the majority? In a very important sense, the specifics of all of these trade deals are irrelevant. The real question that all political candidates should answer is this: Are you in favor of using all of the immense diplomatic and economic power of the United States to coerce foreign countries into accepting binding treaties, effectively written by corporate lobbyists, that limit their ability to manage their economies as they see fit and further concentrate wealth here at home?

When it comes to the Peru deal, John Edwards, Dennis Kucinich, Christopher Dodd and even Joe Biden are saying "no" in response to that question. If that line of attack pushes any of their numbers in key primary states -- with Edwards positioned to make the most of it -- we may finally see a shift in the conventional wisdom on trade. The idea that there's a real political price to be paid for rallying around the status quo might just help move along the process of changing it.

In the meantime, progressives should look hard at the candidates who don't think that their party's base is made up of a bunch of suckers.

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