

Global Fights Go Local

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Missouri Governor Bob Holden learned how volatile globalization issues have become when his Democratic primary challenger, Claire McCaskill, started banging away on him for offshoring the state's call center for food stamp and welfare recipients to India. Holden, a labor-friendly Democrat, moved to get the jobs back home. But McCaskill, the state auditor, who made opposition to offshoring of state jobs a central theme of her "Blueprint for Economic Change" campaign, beat Holden in the August 3 vote--becoming the first challenger to defeat an incumbent governor in a primary in a decade.

The Missouri race provided the latest indication that the debate over trade and economic globalization issues is shifting to the states, as are debates on many issues once thought to be the exclusive province of federal officials. While Congress remains the primary battleground in fights over free-trade agreements and tax policies that benefit the "Benedict Arnold" corporations that John Kerry condemned for transferring jobs to countries with low wages and lax environmental regulations, state officials are often the first to feel the heat when factories close and service jobs are outsourced. Pennsylvania Governor Ed Rendell, noting that his state has suffered job losses in manufacturing for forty-four consecutive months, says he can't live up to his promise to bring prosperity and stability "without taking action to ensure that Pennsylvanians have a fair shot at remaining employed and that companies based in our state can compete in an increasingly unfair international trade system."

Rendell and Iowa Governor Tom Vilsack have emerged as key players in a revolt against federal trade policies that would deny state and local governments the authority to give preferences in contract awards to firms that create jobs where the tax dollars that pay for those contracts are collected. As recently as the late 1990s, governors tended to be advocates for trade agreements, based on their faith in promises that those deals would create new markets. But they and state legislators have become increasingly concerned about job losses. Under pressure from unions, more than three dozen states have begun exploring legislative remedies that prevent offshoring of state jobs and give preferences to firms that create jobs at home, employ union workers or pay a living wage. Environmental groups have, as well, begun pushing with some success for procurement policies that seek products with recycled content, that promote alternative energy and that require the purchase of fuel-efficient vehicles. And they have grown increasingly savvy about the need to defend these initiatives from attempts by the federal government to barter away state sovereignty.

The sovereignty fights are part of a new pattern of state activism. After accusing the federal Securities and Exchange Commission of failing to respond adequately, New York Attorney General Eliot Spitzer has taken the lead in fighting mutual-fund trading abuses. A dozen states sued the federal government last year after the Bush Administration eased environmental regulations on coal-burning power plants, and many of the same states are suing five of America's largest energy utilities to force them to cap and then reduce carbon dioxide emissions. California officials are trying to force automakers to build cars that meet higher emissions

standards than are required by the Feds. Maine Governor John Baldacci recently signed into law a plan to provide health insurance to all state residents within five years. Governors in the upper Midwest, led by Illinois's Rod Blagojevich, have sought to lower healthcare costs by importing cheaper prescription drugs from Canada. "If you leave it to the President and Congress, history tells us, nothing will change," argues Blagojevich, who served in Congress before his election as governor in 2002.

While conservatives such as Michael Greve, who directs the federalism project of the American Enterprise Institute, grumble that "states are trying to pre-empt Congress on national issues," Bernie Horn, policy director for the Washington-based Center for Policy Alternatives (CPA), says, "States are now the vanguard of the progressive movement. In Congress, progressives can only stand in the way of the conservative avalanche. But in states, we're getting things done."

These state interventions have the White House fuming. Bush aides are particularly worried about state action on trade issues. In an effort to reassert federal authority, the Administration's pointman on trade issues, Trade Representative Robert Zoellick, last year asked governors to make a "voluntary" commitment binding their states to comply with the government purchasing provisions of all new trade agreements, including the pending Central American Free Trade Agreement. A majority of governors signed on. But then a loose coalition of groups, including the AFL-CIO, the National Caucus of Environmental Legislators, the Citizens Trade Campaign and Public Citizen's Global Trade Watch, began lobbying governors to withdraw the support of their states for a deal that, in the words of Global Trade Watch director Lori Wallach, would cause governors and legislators to "lose all of their authority to set the terms on what they buy and who they do business with." Iowa's Vilsack was one of the first to exit, after dispatching a letter to Zoellick in which he argued, "Iowa must have maximum flexibility to use our state tax dollars to create good jobs and meet other important social needs in our state." Democratic and GOP governors in Pennsylvania, Missouri, Maine, Oregon, Minnesota and Kansas joined Iowa. Only four Democratic governors have kept their states signed on to CAFTA, along with seventeen Republican governors. And legislators--many of them sponsors of anti-offshoring legislation--are still pushing those governors to drop off, according to Sara Johnson, the state and local outreach coordinator for Global Trade Watch.

Zoellick's office is fighting to keep the remaining states signed on to CAFTA, arguing that now that President Bush has signed the agreement, any withdrawals would upset the global trade regimen. But Johnson says labor groups and legislators will keep the pressure on through the Congressional vote on CAFTA, probably in a lame-duck session after the November election. That could make trade an issue not just in federal election contests this fall but also in at least some states. "There's a new constituency getting involved in these trade issues--governors, legislators, local officials," says Johnson. "That's changing the whole dynamic of the debate over trade and offshoring. It's not just a federal fight anymore. Officials in the states are starting to realize they have to get involved because it's their ability to protect jobs and the environment that is really at stake."

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