Clinton, Bush vie to enforce free trade disaster on U.S., Mexico

by Peter Rush

Poor George Bush. It now appears that in the war of public relations, the Clinton campaign may steal an issue that Bush thought was a firm plus for his campaign: free trade with Mexico as embodied in the North American Free Trade Agreement (NAFTA), a final draft of which was initialed on Aug. 12 by negotiators for the United States, Mexico, and Canada.

Announcing the signing, Bush's chief negotiator, Trade Representative Carla Hills, bragged that 70% of the growth of Gross National Product since Bush became President has been due to increased exports. Since Mexico, she said, is the United States' fastest growing trading partner, and since NAFTA, she claimed, will permit a further large increase in exports, by signing NAFTA, Bush is taking a big step toward helping the U.S. economy recover.

Bush waxed even more euphoric. "Today marks the beginning of a new era on our continent," he crowed, which will "further open markets in Mexico, Canada, and the United States, and it'll create jobs and generate economic growth in all three countries." He said that the United States exported $33 billion worth of goods to Mexico in 1991, and expected exports to hit $44 billion this year. Bush did not specify, but, presumably, foresees export levels of $50 billion, $60 billion, and up in future years. Administration spokesmen have repeated for months that NAFTA will open up vast new markets, selling to Mexico's 85 million supposed consumers.

Stealing Bush's thunder

But Bush's grand announcement was rained on almost immediately, as Democrats attempted to take the issue away from him. House Majority Leader Richard Gephardt (D-Mo.), whose help was essential for Bush in May 1991 in corralling enough Democratic votes to pass the "fast track" legislation that prohibits Congress from amending the trade agreement, has for the past month been trumpeting his reservations about Bush's deal. Saying Bush's accord doesn't adequately deal with environmental and labor concerns, Gephardt, whose position has been backed by Clinton, has "adopted a politically crafty middle position, identifying strongly with the idea of NAFTA, but raising doubts whether Mr. Bush has negotiated the best deal possible for workers and the environment," columnist Morton Kondracke wrote in the Aug. 18 *Washington Times*.

Kondracke reported that "free-trade Democrats are even hinting that NAFTA stands a better chance of passing Congress if Mr. Clinton is elected, revises the treaty somewhat and submits it to a Democratic Congress, than if Mr. Bush is reelected and tries to push it through."

Clinton, in his economic program entitled "Putting People First," released in June, made clear he shares with Bush the view that trade is the driving engine of the economy. We must "smooth our transition from a defense to a commercial-based economy," he wrote.

Some Democratic members of Congress have gone beyond Gephardt's quibbles with Bush over NAFTA, and hit at the certain loss of jobs as hundreds or thousands of U.S. companies head across the border to take advantage of $1 an hour wage levels and the absence of expensive environmental regulations. House Majority Whip David Bonior (D-Mich.) charged, "We've lost nearly 1.8 million manufacturing jobs since the Reagan-Bush team went to work in 1981," and "this agreement will cost another million. It is a sell-out of American workers. . . . We need to fight it. We don't want to let jobs become our number one export."

The same argument was made by AFL-CIO Secretary Treasurer Thomas Donahue (see *Documentation*), and has been the main basis for labor union opposition to NAFTA from the beginning. While true as far as it goes, the union argument begs the question of what U.S. economic policy ought to be.

Sen. Harris Wofford (D-Penn.), who engineered one of the most stunning political upsets in recent years, defeating Bush confederate Richard Thornburgh in the Pennsylvania senatorial race a year ago by hammering the free trade accord, revealed the weakness of congressional opponents of NAFTA when he said that the issue is having an "economic plan for our economy that will make it possible to take advantage of the opportunities in increased trade and in free trade. We are all for that goal."

Samuel Francis, a syndicated columnist for the *Washington Times*, alone among prominent critics of NAFTA outside of *EIR*, began to get at the real issue in an Aug. 18 article, when he attacked the notion that expanding trade was intrinsically good. "Why is it a good idea to encourage an American economy increasingly dependent on exports?" he asked. But he left the argument undeveloped.

Free trade: the economics of looting

NAFTA is not about creating jobs or expanding trade. NAFTA is about transforming Mexico into a giant Puerto Rico, a huge slave labor "industrial plantation" that will permit dramatic lowering of costs of production of goods both for the U.S. market—what remains of it as the depression deepens—and for export to Europe and the Far East as the world depression increasingly fuels a trade war, based on some of the cheapest labor in the world living in unimaginable squalor. Many plants will move to Mexico to cut costs in just this way, while those that remain will force workers to accept drastically lower wages under the threat of following suit.

While jobs will leave the United States—and Canada, which has already lost hundreds of thousands of jobs to the United States since it signed a free trade pact three years ago—Mexico will not be the gainer. Another provision of NAFTA will permit U.S. grain exports to swamp Mexico's peasant producers. Economist Raoul Hinojosa-Ojeda at the University of California at Los Angeles has estimated that as many 840,000 rural Mexicans will be forced from their agricultural lands as the result of free trade and agricultural reforms. Additionally, hundreds of thousands of jobs have already been lost in Mexico's industries that used to produce for the domestic market, which is now satisfied by imports from the United States.

The most important provisions of NAFTA open up the banking and financial sector to full takeover by the largest U.S. banks, brokerages, and insurance companies, which can now set up shop in Mexico with few restrictions, and can also purchase Mexican financial institutions. U.S. companies can also now purchase up to 100% of other Mexican companies, with only a few restrictions. The result will be a huge outflow of profits and capital from Mexico to the United States to prop up the tottering U.S. banking system.

NAFTA's supporters claim that free trade creates growth. Yet, in the decade since 1982, the average rate of pay and income for Mexicans has fallen by half, and it continues to steadily decline, while the Mexican economy has stagnated. Yet, Mexico has increasingly turned to free trade since 1986 when it joined the General Agreement on Tariffs and Trade (GATT). Bush and Hills repeat endlessly that Mexico is a fabulous potential market, while most Mexicans can't even afford to eat enough, and most of Mexico's middle class of a decade ago is being pushed to the poverty line.

Documentation

Thomas Donahue, AFL-CIO secretary treasurer, at an Aug. 13 press conference.

The North American Free Trade Agreement is a bad deal for American workers and consumers and for the long-term health of the U.S. economy. This agreement is not about free trade, nor is it about development in Mexico. It is about guaranteeing the ability of U.S. investors to move plants to Mexico to take advantage of cheap wages and poor working conditions in producing goods for export to the U.S. market. The notion that President Bush's version of "free trade" will create more and better jobs in the United States is simply wrong. What the agreement really means is more job losses for U.S. workers—some half a million jobs by the end of the decade. Solutions to the growing pollution and toxic dumping in border communities, poverty wages and dangerous conditions for Mexican workers, and job opportunities for American workers seemingly have no place in the President's free trade plans. Forty-five percent of our trade with Mexico is American companies doing business with themselves in Mexico. It is the sending of parts to Mexico and the taking back of the finished product. So Mexico is not our third-largest trading partner if you disregard our shipping back and forth to ourselves. It is our sixth- or seventh-largest partner. . . . The balance in the *maquiladoras* [assembly plants along the border] is much, much more significant to me. The *maquiladoras* show that there are 600,000 jobs along the Mexican border which used to be U.S.-based jobs. That's the transfer of employment that is going to be accelerated by this agreement.

Bob Rae, prime minister of Ontario, Canada, talking to the press on Aug. 13.

"I find the idea of expanding the agreement at this time really bizarre. I don't think it's appropriate for us to be cheerleaders for the reelection of George Bush." He added that Ontario continues to suffer job losses because of the earlier Canada-U.S. free trade pact and that NAFTA will compound the damage.

U.S. Trade Representative Carla Hills at an Aug. 13 press conference.

I want . . . to put the North American Free Trade Agreement in the context of our overall trade strategy. . . . Our strategy is simple and straightforward: It is to open markets so that our trade can expand, because trade is today the motor of our economic growth. Seventy percent of the growth to our economy comes from our exports. And this strategy has worked. If you look fairly over the past 40 months, more markets are open today than ever in our history. The United States has reclaimed its position as number one exporter worldwide. Last year, our exports reached $422 billion, and the exports soared in all sectors: consumer goods, capital equipment, industrial products, feeds, autos, and auto parts. And they soared in all states, on average, by 72%. And this surge in exports generated $100 billion of new opportunity, new output in the business community—something that the Chamber [of Commerce] should care a lot about—and it created 2 million jobs, not just more jobs, but better jobs, because jobs connected with trade pay 17% more than jobs in our overall economy.