

'Fast track' defeat signals backlash against free trade

by Suzanne Rose

The lunatic policy of "free trade," i.e., the failure to protect the productive economy from speculators, suffered a major reversal the week of Nov. 10, when Congress failed to pass fast-track legislation. The bill requested by the administration, was pulled from the floor of the House on Nov. 9, when it became clear the votes did not exist for passage. The fast track would have given the President authority to negotiate trade deals which could only be voted up or down, and not amended, by Congress. The ongoing collapse of the world's financial markets spooked congressmen, particularly Democrats, who otherwise were under heavy pressure from organized labor to defeat the bill because of job and income losses suffered as a result of previous free-trade agreements.

Every President since Carter has been granted fast-track authority; so, it's clear times are changing. A harbinger of what was to come occurred earlier in the week, when the House failed to authorize the Caribbean Basin Initiative, granting countries in the Caribbean and Central America parity under the North American Free Trade Agreement (NAFTA).

The fast track was seen as needed by its proponents in the business and financial community, to achieve a near-term expansion of NAFTA to other nations in South America, beyond Mexico. It was believed necessary, in some quarters of the financial community, to achieve further gains in negotiations to "open up" the financial sectors of countries in Asia, under the auspices of the Asia-Pacific Economic Cooperation group, scheduled to meet in Vancouver, Canada, on Nov. 27, and in ongoing negotiations to liberalize trade under the World Trade Organization. The financial community, in particular, has been insisting on the fast track to continue the deregulation of Asian economies—more of the same medicine that has led to the chaos and collapse in the markets.

Although fast track was an apparent defeat for the Clinton administration, which had pulled out all the stops over the past

few weeks to achieve its passage, sending cabinet officials up to Capitol Hill to lobby before the expected vote, its defeat, rather, was a blessing in disguise. In a radio interview with "EIR Talks" on Nov. 12, Lyndon LaRouche commented, "I breathe a sigh of relief that that atrocity didn't happen. Of course, the problem for the President was, that this was one of the things he'd made a commitment on. And, sometimes the way you help a President get out of a bad commitment, is like helping a man who got stuck in the mud. Don't get down to the mud and try to help him; stand on the side of solid ground, and get a rope, and pull him out—and that was done."

The help was largely provided by AFL-CIO President John Sweeney and the forces allied with him in Congress, including House Minority Leader Richard Gephardt (D-Mo.) and Minority Whip David Bonior (D-Mich.), who went on a major organizing drive to defeat fast track. The AFL-CIO and its member unions, rejuvenated by the successful UPS strike, carried out a campaign to educate the public on NAFTA's detrimental effects, including rallies, mailings, television and radio ads, lobbying, and phone banks in Congressional districts.

Massive job losses

The opposition to fast track in Congress, expressed in limited public debate, reflected the growing pressure from labor because of job losses following from the 1992 agreement. Think-tanks such as the Economic Policy Institute estimated net job losses at close to 400,000, as companies have been given the green light to move their operations out of the United States to exploit low wages in Mexico. A major theme in the debate was the failure of NAFTA, which had been passed with promises that side agreements would lessen the impact of expected job losses, and that the agreement would create new jobs through expanded exports to Mexico. Rep. Frank Pallone (D-N.J.) said that only a small portion, 144,000,

of the approximately 400,000 workers who have lost their jobs, have been certified for retraining assistance promised under a side agreement, the Transitional Adjustment Assistance Program, negotiated under NAFTA to protect workers' rights. Even those certified to receive assistance, according to Pallone, are not getting it, because of provisions that they must prove they were directly affected. In the case of Mexico, the trade deficit has increased, as Mexico suffered a 40% peso devaluation in 1995, because of the effects of free trade on its economy.

The unspoken fear, which came through in the remarks of congressmen on the House floor, was the looming danger of even greater job losses, resulting from the currency and stock market chaos around the globe. It was reported that one district in New Jersey has lost 15,000 jobs since the passage of NAFTA. Rep. William Lipinski (D-Ill.) told his colleagues, as reported in the *Congressional Record*, "It will continue the downward slide of the standard of living of all American working people."

Gephardt and other Democrats held press conferences attacking the effects of NAFTA. They denounced the increase in food-borne diseases, which can be directly attributed to the relaxation of food and border inspections under NAFTA, as well as the increased flow of drugs into the United States, in trucks which are no longer subject to border inspections, because of a drastically curtailed inspection schedule. According to reports, less than 1% of trucks crossing the border are thoroughly inspected. Fast track opponents also put the spotlight on the inhuman conditions of the *maquiladoras* (foreign company sweatshops) on the U.S.-Mexican border, many of which have grown worse since the passage of NAFTA.

For example, the minimum wage has declined from \$1 to 70¢ per hour in many plants. At a Washington, D.C. press conference on Oct. 6, Bonior and Gephardt described the alarming growth of hepatitis among children in the border towns of the *maquiladoras*. "We were in a town south of Juárez, south of El Paso, called San Alcidro," Bonior said. "Ninety percent of the people there have hepatitis; 70% of the kids in Juárez have hepatitis. And living in these shacks, as I described earlier, playing, their kids, in these cesspools with raw sewage, it is unbelievable."

In the end, the Republican-crafted fast track bill, which did not include even nominal safeguards against job and wage losses, was opposed by the overwhelming majority of the Democratic caucus, including 16 Democrats who had voted for NAFTA in 1992. They cited the growing trade deficit with Mexico and the failure to enforce the side agreements, which had been designed to overcome the objections to NAFTA.

Although fast track had been expected to pass in the Senate, Democrats, led by Byron Dorgan (N.D.), Paul Sarbanes (Md.), Ernest Hollings (S.C.), Robert Byrd (D-W.V.), Dianne Feinstein (Calif.), and Jack Reed (R.I.), made compelling arguments against it. Congress is abrogating its constitutional authority over currency, trade, and commerce, they said, by giving a President the authority to negotiate trade agreements

which must be voted up or down without amendment by Congress. Hollings, Reed, and Byrd cited the *Report on Manufactures*, a founding document of the American System of economics, by Alexander Hamilton, the first treasury secretary of the United States, which motivates the essential role of government in protecting manufactures.

Hollings repeatedly referred to the post-industrial transformation of the United States into a "consumer"-oriented economy. He attacked the idea of British free trade economist Adam Smith, that the "consumer comes first," which was promoted in an op-ed by *Washington Post* columnist James Glassman on Oct. 28. "That is historically inaccurate," Hollings said. "If we had done that, we would still be a colony. He doesn't know what he's talking about. They didn't land here from the *Mayflower* looking for consumption and a cheap T-shirt. They came here to build a nation. You don't build it without a strong manufacturing capacity." Hollings noted that the "Report of the Presidential Commission on U.S./Pacific Trade and Investment Policy" had documented that, during 1979-94, twice as many high-paying jobs in the U.S. economy were lost to imports as were gained from exports. He said the NAFTA agreement has driven wages down in Mexico, and left workers unemployed in his own state, who have no prospect for retraining or reemployment.

Feinstein and others referenced the currency instabilities in Asia, which, she said, could lead to financial troubles which would cause countries to increase their exports and erect import barriers regardless of trade agreements.

Revive the American System of economics

The American System policy of protection for producers is exactly what is needed, rather than "competitive devaluations," leading to export wars, as some in the financial community hysterically project. LaRouche said, "I think what we can say, is that this rejection, this political rejection of the fast track—which is a very strong rejection—symptomizes a growing readiness around the world, at least in many countries, to begin slapping on strictly protectionist measures, get rid of globalization, get rid of the so-called international kind of thing, get rid of George Bush's New World Order, and go back to a protectionist system consistent with the American System, and using such precedents, useful precedents, as the arrangements we made in the postwar period for limited convertibility, until the economy goes back on a sound basis, where you could have, more or less, free convertibility."

The defeat of fast track is a resounding defeat for "The New Democrats," a faction in the party which includes Vice President Al Gore, which has often allied with conservative Republicans and bankers in demanding more financial deregulation, austerity, and budget cuts. The President accommodated to this faction when he failed to veto their welfare reform bill preceding the 1996 elections, which was a factor in the Democratic failure to regain control of the House. Hopefully, the fast track defeat will lead to the realignment of these Democrats with reality.