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NAFTA: Class Reunion

This fight is not a traditional fight between Democrats and Republicans, and liberals and conservatives. It is right at the center of the effort that we're making in America to define what the future is going to be about.

—President Bill Clinton, September 1993

Bill Clinton's Party

As the C-SPAN videotape of the White House event of the morning of September 14, 1993, begins to roll, the camera's eye picks up the trim pinstriped figure of Robert Rubin. He strolls through the crowd of several hundred men and women in business suits settling into their chairs in the stately East Room. Rubin, the ex-cochair of the investment firm Goldman Sachs, is chief of Bill Clinton's Economic Security Council—and soon to become his secretary of the treasury. He has the cool, unruffled look of an impresario, confident that all the details have been handled, patiently waiting to sit back and watch the show.

The camera angle widens onto a sea of some three hundred suits. We can pick out the most prominent faces of Washington's political class: the Democratic Speaker of the House and Senate majority leader; the Republican House and Senate leaders; the secretaries of state, treasury, and other cabinet officers; nine state governors. Others, not so well-known to the C-SPAN audience: lobbyists for the world's largest multinational *corporations; executives from the Business Roundtable, Chamber of Commerce, and other business associations; the Mexican ambassador; the Canadian ambassador. Colleagues all, they greet each other and chat while they wait for the ceremonies to start.*

The *official* purpose of the event was to celebrate Bill Clinton's signing of three so-called side agreements to the proposed North American Free Trade Agreement.[1] NAFTA, as it was called, would create a single continental market in which goods, services, and money could freely cross the borders between the United States, Canada, and Mexico. The idea had been first proposed by Ronald Reagan in 1979. After his election, it took more than a decade to percolate through the think-tank seminars, the op-ed columns, and the policy speeches that the governing classes of all three countries use to communicate with themselves—and each other. Finally, in the summer of 1992, the administration of Reagan's Republican successor, George H. W. Bush, negotiated an agreement with the governments of the two neighboring countries. NAFTA had not yet been approved by the Democratically controlled Congress when Bush lost the 1992 election to Clinton.

The trade deal was fiercely opposed by labor unions, environmental groups, and other parts of the Democratic Party's political base, which feared that it would encourage American business to outsource production to Mexico in order to gain cheaper labor and escape environmental regulation. So the underlying *political* purpose of the White House event was for Clinton to convince skeptical corporate lobbyists and their Republican allies that he was committed to their fight against his own party's base in order to get NAFTA approved.

During the campaign, Clinton had hedged. He had said that he would not support NAFTA unless enforceable workers' rights and minimum environmental standards were added. "I'd be for expanded trade with Mexico and all these other countries," he said in San Diego, "but only, only, if they lifted their wage rates and their labor standards and cleaned up the environment so we could both go up together instead of being dragged down."[2] Later, in Raleigh, North Carolina, he repeated that he would not sign NAFTA unless it was amended to protect environmental standards and workers' rights.[3]

On November 4, 1992, he was elected president. One major cause of his victory was the turnout of the Democratic base, particularly low- and moderate-income working-class families reacting to the 1991–1992 recession. "It's the economy, stupid," his campaign manager famously said. Had the unemployment rate in the fall of 1992 been 5.5 percent rather than 7.5 percent, George H. W. Bush would have no doubt been reelected.

The other cause was the maverick businessman Ross Perot, who used his considerable fortune to buy his way into the presidential campaign. Perot pulled business, conservative, and right-wing populist votes away from Bush by hammering the Republican president on his budget deficits and his support of NAFTA.

Vice President Al Gore appears. Applause. He stands to the side. The camera's eye returns to the empty podium, behind which is a double door opening on a long red-carpeted corridor. The camera's eye waits expectantly. The band strikes up "Hail to the Chief." Bill Clinton and ex-presidents George H. W. Bush, Jimmy Carter, and Gerald Ford appear at the far end of the corridor, walk briskly toward us, and, four abreast, enter the East Room. Rubin and the crowd of dignitaries rise and give them a prolonged standing ovation.

The joint entrance of the president and the ex-presidents, two Democrats and two Republicans, symbolized the bipartisan support of the Washington establishment for NAFTA. Such joint appearances are rare, usually employed to show national unity at some time of extreme national danger. But NAFTA was not a response to a national crisis threatening the nation's citizens, it was an international opportunity for the nation's elites to make rules for the post–cold war global economy that would benefit them and their corporate clients. NAFTA foreshadowed the establishment of the World Trade Organization, the economic model imposed by the World Bank and the International Monetary Fund on developing countries, and the terms under which China's enormous labor market would later be poured into the world economy. NAFTA did not create globalization, but it showed the governing classes of both developed and developing countries how globalization could be used to disconnect themselves from the constraints and obligations, imposed democratically or otherwise, by their national communities. The story of how NAFTA was conceived, argued for, and finally delivered shows how they did it.

Among other things, NAFTA was the first demonstration of the way globalization was shifting the domestic U.S. politics of international trade. Until then, disputes over tariffs and other trade policies were generated by the competing interests of different sectors of the economy—various manufacturers, food producers, shipping companies would jockey for this or that advantage. The workers, the managers, and the investors of each sector were united against the others. But the politics of NAFTA were different: it was workers on one side and managers and investors on the other—*across* economic sectors. NAFTA thus reflected something new—that trade was now a dispute between those who could make money by investing somewhere else, and those whose job or business or concern for the environment was stuck in America.

After the election, NAFTA was the first priority of Clinton's new trade representative, Democratic attorney Mickey Kantor, a liberal California political activist. Kantor was initially cool toward NAFTA, but he was a tough lawyer and very loyal to his presidential client. He immediately opened up talks with his Mexican and Canadian counterparts to come up with a way to solve the contradictions in his boss's campaign rhetoric.

The Mexican and Canadian governments resisted. After all, they had already negotiated a deal with the United States. Opening it up again to satisfy domestic American politics was not only irksome, but embarrassing. It reminded their own electorates, once again, that they were second-class citizens on their continent. "We are," as one Canadian diplomat put it, "two very thin slices of bread at the top and bottom of a huge sandwich."

But they, especially the Mexicans, very much wanted the deal. So, several months later, Kantor brought back "side agreements" that he claimed protected labor and the environment. But the side agreements were just that; they were outside of NAFTA, and thus did not have the status of an international accord approved by the legislatures of each nation. NAFTA had established common protections and rights for multinational corporate investors that the governments of the three nations were not allowed to weaken. These included patent protection, banking regulations, and the right to challenge environmental laws. The side agreements on labor and the environment, however, were little more than admonitions to each nation to enforce its own laws. No common standards were set; any of the three nations could still eliminate its minimum wage, outlaw unions, dismantle health and safety standards, or loosen restrictions on the industrial pollution of air and water at will. Returning from the negotiations with Kantor, Mexico's finance minister, Jaime Serra Puche, happily assured Mexican businesspeople that the side agreements were meaningless.[4]

Leaders of the unions and most environmental organizations felt betrayed. Without their members, money, and energetic support, Clinton would not have been elected. Yet here he was, less than a year into his presidency, joining with their corporate adversaries and stabbing them in the back. And for an idea that was the brainchild of Ronald Reagan, no less!

Trade, But Not Free

Reagan had some very strong ideas about economics. One, growing out of his Hollywood experience as a millionaire actor, was that taxes were always too high. Another, growing out of his generation's experience after World War II, was a strong belief in free trade.

For most of its history, the United States had been a protectionist nation. The founding fathers—Washington, Adams, Hamilton, Jefferson, Madison—all supported high tariffs. The Tariff Act of 1789, which set high duties for a wide range of imports, was the second congressional bill signed by President George Washington. Over a century and a half, American industry developed behind the shelter of high tariffs, which were designed to limit competition from the more technologically advanced nations of Western Europe. In 1832, Henry Clay, reflecting the prevailing wisdom of the time, stated, "The call for free trade, is as unavailing as the cry of a spoiled child, in its nurse's arms, for the moon or the stars that glitter in the firmament of heaven. It never has existed; it never will exist."[5]

Protectionism was the underlying economic conflict of the Civil War. Southern plantation owners, who sold their cotton on the world market, wanted to buy cheaper European manufactured goods.

Northern industrialists wanted protective walls in order to build their textile, steel, and machinery companies. Led by Abraham Lincoln and the Republican Party, the protectionists won the war.[6] Over the next eighty years, tariffs remained high, as America went on to become the world's most productive economy. The United States was a trading nation, but it was not a free-trading nation.

World War II dramatically changed the attitude of America's governing elites toward trade protections. At war's end, American industries dominated world markets. With the factories of Europe and Japan devastated, they had virtually no foreign competitors. At the same time, Washington's leaders feared that when the federal government stopped its massive wartime spending, the country would fall back into the depressed conditions of the 1930s, where there was not enough demand to keep factories operating and workers employed. Increasing exports to a world digging out of the rubble of war made sense.

America's market was also an important weapon in the growing competition with the Soviet Union for the allegiance of the elites of the impoverished third world. Access to the U.S. consumer was a powerful counterweight to the ideological appeals of communism. Russia's economy was much less advanced and was busy protecting its own industries. Moreover, since it was a communist state, a larger proportion of its resources were devoted to public services that were supplied locally. American diplomats asked of the leaders of poor nations, "Would you rather earn dollars or rubles?" For all but the most committed Marxists, it was a no-brainer.

A policy of encouraging more imports into the United States was made possible by tapping the other major asset with which America emerged after World War II—the world's hard currency. Everyone wanted dollars. So the U.S. government could require that cash-strapped countries use foreign aid to buy American goods. American governments also lavished generous subsidies on domestic agriculture, aircraft, and other industries in order to further assure successful competition in world markets.

The arrangement was not, as Henry Clay would have pointed out, "free trade," in the classical sense of competition among unsubsidized laissez-faire economies. Nevertheless, it was crucial to support the package of international policies and new institutions—the Marshall Plan, the International Monetary Fund, and the World Bank—with which the American governing class shaped the noncommunist world after World War II. More importantly, it became part of the story of a confident, triumphant, outward-looking postwar America, whose prosperity was in sharp contrast to the decade of depression before the war.

So, to Reagan and others of the generation that had experienced both the depths of the Depression and the buoyant years that followed, expanding trade seemed both symbol and substance of that transformation.

The GOP Fast Track to Mexico

The Reagan/Bush administration had already, in fact, taken the first step toward NAFTA by completing a free trade agreement with Canada in 1989. CUFTA, the Canada-U.S. Free Trade Agreement, created what was close to a common market for goods and money, but left out the protection of labor, the environment, and other parts of the social contract that had evolved in both economies. Canadian and American living standards, however, are quite close, and Canada's worker and environmental protections are generally stronger than those in the United States. So the creation of a trade and investment agreement without social standards—while the precedent troubled some—was not sufficient to make the free trade agreement with Canada a major political issue in the United States, and Congress approved it by a comfortable margin.

With the Canada-U.S. Free Trade Agreement as a rough guide, the business-dominated governments of Bush in the United States, Carlos Salinas de Gortari in Mexico, and Brian Mulroney in Canada began negotiations over NAFTA in 1990. Each country's negotiating team was in constant, close touch with its nation's business groups. Often these business "advisory" committees rented rooms in government buildings or hotels right down the hall from the negotiators.

On the U.S. side, more than 90 percent of the members of the official Advisory Committee for Trade Policy and Negotiations (ACTPIN) represented multinational corporations. As Jeffrey Garten, Clinton's undersecretary of commerce, wrote in 1997, "The executive branch depends almost entirely on business for technical information regarding trade negotiations." He observed that American firms had become "de facto agents of foreign policy."[7]

None of the three governments permitted their country's trade unions, environmental groups, or other civil society organizations to become seriously involved in the negotiating process. All three had a common line: trade agreements were business matters, and each nation's interests would be taken care of by the business lawyers and consultants who were able to approve, reject, or amend the proposed language during the day—and in the evening bond with the negotiators over drinks and dinner.

Sending people who understood the complex language of trade agreements to meetings was expensive. Thus those who hovered around the negotiations were more Wall Street than Main Street. They tended to be from large companies, banks, and investment houses. American agribusiness corporations such as Cargill, Archer Daniels Midland, and Monsanto, who were looking to open up permanent new markets for their government-subsidized products, had lawyers whispering in the ears of U.S. negotiators. Representatives of Mexican processed-food corporations, such as Minsa and Maseca (the largest producers of flour) and Bimbo (a major producer of bread, cookies, and snacks), who wanted to buy cheaper raw materials subsidized by the U.S. taxpayer, were constant companions of their government's trade bureaucrats. Small citrus farmers in the United States had less clout. The even tinier corn farmers in Mexico might not even know a deal was being made that would put them out of business.

As the NAFTA negotiations proceeded, opposition began to form in all three countries, although it was much stronger and more organized in the United States and Canada. The Bush, Salinas, and Mulroney governments and their business and media allies dismissed opponents as "protectionists," ignorant of Economics 101. They assured legislators and the public that the benefits of free trade would be so vast as to overcome any economic costs or political inconvenience. The magic of free trade would make everyone a winner; as each country's exports rose, profits would flow and jobs would grow. It was, apparently, the only exception to Milton Friedman's proposition that there is no free lunch.

Polls showed that majorities in each of the three countries were opposed to NAFTA. Workers worried that jobs would be lost to imports. Small businesses were worried that they could not compete with transnational corporations. In Mexico, the opposition was muted because the country was ruled by one party, the Partido Revolucionario Institucional (PRI), which at that point had been in power for a half century. The PRI controlled the unions and Salinas controlled the PRI. In Canada, large numbers worried that the agreement would further endanger their social safety net by the erosion of the tax base. Since CUFTA, Canadian companies had been threatening to move south to the United States, where taxes were lower. Nationalists in both Canada and Mexico were worried that NAFTA would mean that their countries would be further tied to, and subordinated to, the giant United States.

It actually didn't matter what most Mexicans or Canadians, or even their legislators, thought. Carlos Salinas's party had an iron grip on the Mexican Congress. Mulroney, as prime minister, for the moment, controlled the majority of votes in the Canadian parliament.

But Democrats controlled the U.S. Congress, and in the House of Representatives the majority was opposed. So Bush's strategy was to get Congress to renew the president's "fast track" authority, under which the president can send trade agreements to Congress for an up-or-down vote, allowing for no amendments. Fast track passed narrowly on May 23, 1991. Then Democratic majority leader Richard Gephardt, who was skeptical of NAFTA, voted for it and brought a couple of dozen Democrats with him. He warned, however, that he would not support NAFTA unless it had sufficient safeguards for labor and the environment.

With fast track in hand, Carla Hills, Bush's U.S. trade representative, and her Mexican and Canadian counterparts concluded the NAFTA agreement in August 1992. Given the negative polls, Bush decided not to seek congressional approval until after the election in November.

Clinton Hops Aboard

The crowd in the East Room settles down and Vice President Al Gore steps to the podium, and begins. "There are some issues," he intones, "that transcend ideology. That is, the view is so uniform that it unites people in both parties. . . . NAFTA is such an issue . . . made possible by a long series of commitments by presidents in both parties."[8]

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Since the war in Vietnam, no issue had divided Democrats like the question of NAFTA in particular, and trade policy more generally. Clinton aide Gene Sperling later said, "I found this to be the most wrenching and agonizing issue I dealt with in my eight years in the White House."[9] Uneasiness about trade had been growing among the Democrats' base—trade unions, environmentalists, cities and towns dependent on manufacturing—for more than a decade.

As the rest of the world recovered from World War II, America's unusual commercial advantages faded. In the late 1960s, jobs in the apparel and shoe industries began to move out of the country as producers found cheaper labor overseas. The assembly of television parts and consumer electronics followed, and in the mid-1970s the U.S. trade balance turned into a chronic deficit. Soon, heavy industries like steel and autos were losing jobs to overseas competition.

Books by economists such as Lester Thurow, Pat Choate, Robert Reich, Ira Magaziner, Barry Bluestone, and Benjamin Harrison put America's industrial decline into the national policy chatter. The AFL-CIO, with the support of some businesspeople, proposed a national development bank to help manufacturing industries modernize. But Jimmy Carter's economists were cool to the proposals, and their Republican counterparts, who moved into the White House in 1981, were ice-cold. In 1984, Democratic presidential candidate Walter Mondale, who had previously supported these ideas, abandoned them when he ran for president. Instead, Mondale, at the urging of Wall Street investors like Robert Rubin of Goldman Sachs, made balancing the budget the number one campaign issue. Presenting himself as a fiscal conservative, Mondale proposed to raise taxes to cut Reagan's deficit, a decision that destroyed any chance he had to win the election. In 1988, Michael Dukakis ran as an apostle of a new high-tech economy, with little concern over the outsourcing of industrial jobs that had grown from a trickle to a widening river.

Labor's frustration was shared by a growing middle-class environmental movement, worried that American industries were also outsourcing to escape antipollution regulations. In the past, industrial unions had generally resisted environmental regulations, but some trade union activists began to understand that they and the environmentalists had a common interest in restraining corporations from threatening to outsource production in order to cut wages or stop environmental laws.

On the other hand, unions and environmental groups were committed to the election of a Democrat. So Clinton's promise in the 1992 campaign that he would not support a NAFTA without social protections gave them an argument to get their rank-and-file voters to the polls. It was particularly important for the labor unions. The Republicans had succeeded in reformulating working-class issues away from the traditional "bread and butter" concerns to social issues like abortion, gun control, and affirmative action. Leaders of the manufacturing unions found their ranks swelling with "Reagan Democrats." Making the case that a Democrat in the White House would fight harder for their economic interests was crucial to getting out the labor vote for Clinton.

Clinton's first budget, which was narrowly passed in the spring of 1993, was a disappointment to his liberal constituency. After twelve years of Republican rule, they had expected their party—which now controlled the White House and the two houses of Congress—to expand domestic spending in order to make up for years of austerity. But Clinton, acting on the advice of Robert Rubin and Treasury Secretary Lloyd Bentsen, had made deficit reduction, not social spending, his first priority.

Once Clinton had tilted his budget to please Wall Street, presumably giving the administration some points with the business class, Democratic activists expected that the White House would turn to health care. But Rubin and Bentsen pressed Clinton to put NAFTA first, even though a prolonged fight over the issue would divert the White House's attention and energy away from the health care issue that was much more important to Bill Clinton's party and his place in history.

So it was not surprising that when the president they'd elected announced his support for Bush's NAFTA, many Democrats felt double-crossed, and mobilized against him.

The more voters heard about NAFTA, the less they liked it. By July, a Gallup poll showed 65 percent of Americans opposing the agreement, and only 28 percent in favor.[10] In the House of Representatives, several dozen old-style isolationist Republicans joined the liberal Democrats, making a majority of members opposed to the treaty. Meanwhile, Ross Perot was stomping around the country warning that if the treaty passed, Americans would hear a "giant sucking sound" of jobs leaving the United States for Mexico. More than eight and a half million people were still unemployed in August 1993, and the media was calling the modest increase in economic growth that had accompanied Clinton's first nine months in office the "jobless recovery." In April 1993, Clinton's budget director, Leon Panetta, told the press that the administration did not have the votes to pass NAFTA.[11]

Clinton aide George Stephanopoulos also thought at that point that NAFTA was a mistake: "I believed that we should go forward with the agreement only if it included our promised protections for labor and environment, which would be a spur, I believed, to higher wages and safer working conditions."[12] Mickey Kantor himself didn't see why they had to pursue NAFTA, and many Democrats in Congress scratched their heads in bewilderment, and some in anger, that the president would consider making it a priority.

Under these circumstances, and given Clinton's debt to his labor and environmental constituencies, the Republicans and the business establishment were skeptical that he would go all out for their priority. They were absolutely opposed to including any enforceable labor and environmental standards, even if it meant letting the agreement fall through. And they doubted that he would turn his back on the party's base so soon after that base had put him in the White House.

In early September, Robert Rubin and Mack McLarty, Clinton's chief of staff, organized a meeting with the president to decide whether NAFTA or health care would be the administration's next priority. The meeting also included Secretary of State Warren Christopher and Treasury Secretary Lloyd Bentsen. Rubin, while at Goldman Sachs, had had extensive dealings as an underwriter of several of Mexico's privatization schemes and had personally known Carlos Salinas since the 1980s. Bentsen had made a business fortune as head of a financial holding company with business interests in Mexico. McLarty had been the head of a large natural gas company and ran a family business with trucking and transportation interests. Christopher had worked for a corporate law firm whose clients did business with the Mexican government and he headed a State Department that was anxious to complete a major diplomatic project with Mexico and Canada. Against this group were Hillary Clinton and Ira Magaziner, her health care consultant.

In her memoirs, Hillary Clinton writes, "By late August, [Treasury Secretary Lloyd] Bentsen, Secretary of State Warren Christopher and economic advisor Bob Rubin were adamant about postponing health care reform and moving forward with NAFTA. They believed the free trade agreement was also critical to the nation's economic recovery and NAFTA warranted immediate action. Creating a free trade zone in North America would expand U.S. exports, create jobs, and ensure that our economy was reaping the benefits, not the burdens, of globalization."[13] Robert Rubin later said that he never thought, and did not argue, that NAFTA would create many jobs.

In any event, the president decided to put NAFTA ahead of health care. The White House would join Republicans in launching a no-holds-barred campaign against the Democratic opposition.

On the advice of Henry Kissinger, Clinton invited former presidents George H. W. Bush, Jimmy Carter, and Gerald Ford to the White House signing. (Ronald Reagan was ill, and inviting Richard Nixon would have turned off the NAFTA supporters among the Democrats.) Kissinger was the perfect tutor for a new Democratic president trying to convince Republicans and their business allies that they could count on him to champion Reagan's vision. At first, Bush and Ford hesitated, so McLarty called on his friend Ken Lay of the Enron Corporation to persuade them.[14]

After the White House rally, Bill Daley, brother of Chicago's Democratic mayor, set up a war room in the White House, and the administration started a full-court press on wavering members of Congress. Business opened up its coffers and the Mexican government spent $50 million on Democratic and Republican lobbying firms.

Meanwhile in Canada, a similar drama was playing out. Jean Chrétien, head of the Liberal Party and the newly elected prime minister, had made criticism of NAFTA a key part of his campaign. He had denounced the earlier Canada-U.S. Free Trade Agreement in harsh terms. "Free trade is a monster," he had said in 1990. "By the time we get to power, it will have had too many babies to kill."[15]

The Clinton/Republican alliance was worried. Unemployment was high in Canada, and Chrétien had run a strongly populist campaign.

He had said he would only sign the agreement if tight conditions were added, particularly protections for Canada's energy and water supplies and prohibitions against U.S. antidumping laws. If Canada pulled out there was a good chance that a U.S.-Mexico NAFTA would die in the U.S. Congress.

After Chrétien's October 25 election both Clinton and Salinas called to congratulate him, and ask nervously where he stood on NAFTA. They shouldn't have worried. It turned out that while Chrétien was raging against NAFTA as a sellout of Canada's sovereignty, his chief aides were quietly assuring Canadian corporate leaders that this was all for show, to keep working-class voters from voting for the more populist New Democratic Party. And so it was. One of Chrétien's first acts was to announce that he had changed his mind and would now support NAFTA. Like Clinton, he insisted that he would impose conditions. And as with Clinton, the conditions were a political fig leaf. Chrétien signed an agreement that did not differ significantly from the deal he had excoriated on the campaign trail.

Back in Washington, Democrats in the House were reluctant to fight against their president as strongly as he fought against them, so Ross Perot moved in to fill the vacuum. The swaggering, squeaky-voiced Perot was a perfect image for the administration to target opponents as ignorant "know-nothing" protectionists. Gore and Perot met in a televised debate on November 9, eight days before the House vote. Perot, supremely confident, did not prepare. He spouted generalities and got peevish when pressed. Gore waved a copy of the infamous Hawley-Smoot Tariff Act of 1930, conjuring visions of the Great Depression that could return if NAFTA was defeated. On most people's scorecard, Gore won.

The NAFTA campaign demonstrated Clinton's extraordinary political skills. Normally the burden of proof would have been on the administration, which was, after all, proposing something new. Instead, the White House succeeded in making Perot the issue, specifically his colorful claim that the agreement would produce the "giant sucking sound" of jobs moving to Mexico. The onus was shifted to the opponents, demanding that they defend their "protectionism," even though there was no protectionist proposal on the table.

By making NAFTA a referendum on protectionism, Clinton and the Republicans avoided a debate over the actual agreement. Once the issue had become the defense of the theory of free trade rather than the defense of this specific agreement, a vast majority of economists rallied to the cause. A week after the White House conference, the administration released a letter to the press, signed by 283 prominent economists, supporting the agreement. A follow-up survey by a radio network revealed that few, if any, had read the actual text.[16]

With the simple story of enlightened free traders versus protectionist ignoramuses, the press had little patience for finding a devil in any of the details. Thus, in the East Room gathering, Clinton assured the audience, "There have been 19 serious economic studies on NAFTA by liberals and conservatives alike; 18 of them have concluded that there will be no job loss."[17]

With one or two questions, any journalist could have discovered that the eighteen "studies" were simply abstract exercises with what economists call General Equilibrium Models. Among other things, these models are constructed to assume a state of permanent full employment. In other words, the studies could not have concluded that *any* policy would result in unemployment because unemployment did not exist in the computerized cyber-world they created.

Although the finalized "side agreements" clearly would not protect the environment, they were very useful as a wedge to divide the environmental movement. Some environmental groups—those with upper-class constituencies reluctant to be accused of protectionism—agreed to support NAFTA if the environmental side agreement was strengthened a bit. It was, and they did. Others, including the Sierra Club, Friends of the Earth, and Defenders of Wildlife, remained opposed.

With the question of jobs neutralized and at least some of the environmental movement peeled off, the political clout of big business and the ability of the White House to trade projects and favors for votes won the day.

"The national press was unabashedly pro-NAFTA," wrote the *Washington Post* media critic Howard Kurtz after the congressional votes. "From George Will and Rush Limbaugh on the Right to Anthony Lewis and Michael Kinsley on the Left, most of the nation's brand-name commentators led the cheerleading for NAFTA." The

New York Times, the *Washington Post*, the *Wall Street Journal*, and most of the major regional papers supported the agreement. National Public Radio featured a left-right "debate" over NAFTA between two former members of Congress, both of whom actively supported the agreement. On Veterans Day 1993, the *Washington Post* carried ten pro-NAFTA pieces in just one edition.[18] When Senator Byron Dorgan of North Dakota complained that the *Post* had devoted sixty-three feet of editorial space to pro-NAFTA arguments and only eleven to arguments against, Meg Greenfield, the editorial page editor, replied, "On this rare occasion when columnists of the Left, Right, and Middle are all in agreement I don't believe it is right to create an artificial balance where none exists."[19] At the same time, a July 1993 Gallup poll reported that ordinary Americans, as opposed to Washington columnists, opposed NAFTA 65 to 28 percent.[20]

Energized by Gore's performance, the White House went through the time-honored process of buying up the members who had been sitting on the fence. Tom Nides, who was Mickey Kantor's chief of staff, told John MacArthur, who wrote a history of NAFTA, "This was won member by member—figuring out what was in the district, figuring out who we could influence, how we could work it. A lot of things traded hands during this period of time."[21]

On November 17, 1993, after a long and bitter debate, the U.S. House of Representatives voted to approve NAFTA. Up to the very end, the outcome was in doubt, and only last-minute horse-trading by Bill Clinton's agents on Capitol Hill bought enough votes to save the agreement. One member of Congress told the press that he'd been offered so many bridges for his district that all he needed was a river.

Clinton won, but he paid a high price. The fight over NAFTA made a major contribution to the two great debacles of his administration: his failure to pass a national health care plan, and the loss of the House of Representatives in the 1994 election. As the journalist Eric Alterman put it, "The final days of the NAFTA debate offered the gruesome spectacle of Bill Clinton leaning all of his six-foot-three, two-hundred-something-pound frame on members of his own party to convince them to support a treaty pushed primarily by foreign-paid lobbyists, multinational corporate moguls, and Republican reactionaries. In doing so, the president rewarded the political forces that have despised him and kicked the shins of his loyal supporters."[22]

Even in Mexico, Clinton's behavior seemed odd. Jorge Castañeda, who later became Mexico's foreign minister, noted, "Clinton's voters were either indifferent or frankly hostile to NAFTA. Instead of a universal and accessible health care system, Clinton gave them the Mexican market, with the blessings of Henry Kissinger."[23]

When the NAFTA vote had been won, James Robinson, former head of American Express, said, "NAFTA happened because of the drive Bill Clinton gave it. He stood up against his two prime constituents, labor and environment, to drive it home over their dead bodies."[24]

The High Price

Health care was the historic mission of Clinton's presidency, and his abandonment of the effort a year later guaranteed him a very modest place in history even before the Monica Lewinsky scandal. Theda Skocpol of Harvard, who chronicled Clinton's aborted health care proposal, wrote:

> During the fall of 1993, the Democratic Party's usual sure donor and grassroots supporter, the AFL-CIO, diverted resources and attention to the battle against NAFTA. Many activists were greatly embittered by the Clinton administration's support of NAFTA, and union leaders "turned off the spigot" for the NHCC [National Health Care Campaign] during the very period when opponents of the fledgling Clinton Health Security plan were channeling large resources into oppositional advertising and organizing. . . . President Clinton may have given away his last chance to mobilize Democratic support for his crucial Health Security initiative by devoting to NAFTA so much time, energy and arm-twisting of people in Congress.[25]

The loss of the House of Representatives was an even greater disaster. Republican control of the House put Clinton on the defensive for the last six years of his presidency and enabled the GOP to build a case for impeachment. More importantly, for the previous forty years the House, which had been the protected political citadel to which Democrats could retreat during the years that the White House, and sometimes the Senate, wasn't under their control, was captured by Republicans. Control of the House had enabled Democrats to resist the most egregious conservative demands of the Reagan presidency. Because Democrats chaired the committees, corporate lobbyists were forced to give them a greater share of campaign contributions than they would have otherwise. Control of committees allowed Democrats to hire congressional staff that offset the greater ability of the richer corporate-sponsored Republicans to employ lobbyists and experts to support conservative positions in the public debate. Given the Republicans' naturally greater access to wealth in a political world increasingly dominated by money, Democratic control of the House was the vital element in a genuine two-party system.

Would the Democrats have held on to the House if there had not been the bitter fight over NAFTA? Obviously, no one knows. But the effect of NAFTA clearly was negative. Bill Clinton had been elected in 1992 because the Democratic base was enthusiastic and because Ross Perot, running against the budget deficit and NAFTA, had siphoned off Republican votes. In 1994, core Democratic voter turnout was low, and independents who had favored Perot broke heavily in favor of the GOP.[26] Despite Gingrich's fierce promotion of NAFTA inside the beltway, his widely advertised Contract with America, which the Republicans took to the people that year, never mentioned foreign trade. Clinton took the blame, and Gingrich took the House. The Democratic Party still has not recovered.

Frightened by Newt Gingrich and the radical right, the Democratic constituencies came back to Clinton in 1996. But by then the very effective and well-funded conservative Republican political infrastructure had put its own stranglehold on the House, where incumbency is the biggest asset in an election.

The political consequences of Clinton's NAFTA decision also came back to haunt the Democrats in the presidential election of 2000. The fight over NAFTA organized the North American antiglobalist movement that erupted in the streets of Seattle against the World Trade Organization in December 1999. Its energy fueled the 2000 Green Party candidacy of Ralph Nader, which denied Gore the electoral votes of New Hampshire and enough votes in Florida to allow the Republican Supreme Court majority to deny him the presidency.

Neither Clinton nor anyone else could have foreseen the consequences of his decision. But he was one of the smartest, most calculating politicians that had ever occupied the White House, and the risks were obvious. NAFTA, Clinton acknowledged in his memoirs, “came at a high price, dividing our party in Congress and infuriating many of our strongest supporters in the labor movement.”[27]

Follow the Money

In response to the criticism of the weak side agreements, Mickey Kantor said that the final agreement was the best deal he could get. The Mexicans and Canadians, he asserted, simply would not agree to include any labor or environmental standards in the agreement.

Kantor’s claim is suspect, especially regarding the Mexicans. As we shall see, Salinas desperately needed NAFTA. Clinton and Kantor were in the perfect negotiating position. Salinas was a drowning politician and NAFTA was his only lifeline. Antonio Ortiz Mena, a Mexican economist who was a member of his country’s NAFTA negotiating team, said later that if the United States had demanded enforceable social standards, Salinas would have reluctantly accepted it. “We didn’t want labor or environmental standards in the agreement, but Salinas had bet everything on getting a trade agreement with Mexico. He couldn’t have walked away from the agreement.”[28]

Allen Sessoms, who was with the U.S. embassy in Mexico City at the time, also said he had no doubt that the Mexicans would have accepted an enforceable social clause on labor and the environment as part of NAFTA. “The Mexicans would have accepted anything,” he agreed. “And the Canadians would have come along, reluctantly. Canadians were reluctant about the whole thing. They were in just because they wanted not to be out. Washington never pushed. I still don’t understand why.”[29]

Certainly, Clinton could not have been intimidated by Newt Gingrich. Whatever Gingrich’s bluster, the Democrats at the time were in control of the House and Senate. Moreover, as he was to prove two years later when he trapped the overreaching Gingrich, who had just became Speaker of the House, into the politically disastrous shutdown of the federal government in 1995, Clinton could handle him. Clinton ought to have been able to use Gingrich’s arrogance to political advantage, and to slide off the NAFTA hook. Given the preliminary vote count in the House, it would not have been hard to tell the business groups that if they wanted NAFTA they would have to pressure Gingrich to compromise on social protections. If the business groups did not, it would have exposed them as being more interested in escaping social regulation than "free trade."

The experience of Mark Anderson, an AFL-CIO official, is further evidence that the administration did not want worker protections in its trade agreements. After having secured NAFTA, the Clinton White House began talks on a bilateral trade agreement with Chile. In an effort to avoid repeating the split between organized labor and the administration, Anderson went to Chile in 1994 and returned with a commitment from the politically influential Chileans to agree to enforceable worker rights in exchange for a treaty giving more access to the American market. Under these conditions, the AFL-CIO was willing to endorse a trade deal. "I told Kantor and others that we would go along," says Anderson. "But they just brushed me off. They weren't interested."[30]

We can only conclude that the central obstacle to having worker and environmental protections in NAFTA was not the resistance of the Mexican and Canadian negotiators, but the resistance of American multinational business.

Thus, for many on the losing side of the NAFTA vote, the explanation for the president's behavior was simple. He had always been eager to ingratiate himself with big business. Clinton had been chairman of the Democratic Leadership Council, a business-funded Washington group that had championed the strategy of pro-business "centrism" for the party. Under the ideological cover of a "third way" between right and left, the brilliant and charming Arkansan became a prodigious fund-raiser on Wall Street, and delivered the Democrats to a business agenda.

Clinton's relationship with business was built on a foundation put in place by Democratic strategists ten years before, after Reagan won the White House and the Republicans took over the Senate. In 1981, Tony Coelho, who was at that time a congressman from California, expanded the Democrats' fund-raising operation by targeting corporate lobbyists who were willing to pay for access to the Democrats in control of the House committees. Given the widespread assumption that the Democrats were certain to remain the majority in the House of Representatives, which they had controlled for all but four years since 1933, it seemed like an obvious strategy. “Business has to deal with us whether they like it or not,” boasted Coelho, “because we are in the majority.”[31]

Coelho was a success. Business contributions to the Democrats steadily rose in the 1980s. Clinton’s 1992 presidential campaign rhetoric portrayed him as the outsider who would clean up Washington and Put People First. But as Charles Lewis, director of the Center for Public Integrity, noted, “Clinton was no stranger to Washington or its money politics.” By the time the New Hampshire primary came around, more than half of Clinton’s staff came from inside the beltway, including several heavy-hitting consultants and lobbyists whose firms were collecting handsome fees from transnational corporations and foreign governments. These included Thomas Hoog, vice chair of Hill and Knowlton, Anne Wexler of the Wexler Group, and Samuel “Sandy” Berger, who would later become Clinton’s national security adviser. In the campaign of 1992, Clinton received at least $853,295 from the financial industry alone.[32] Clinton took Coelho’s fund-raising strategy to another level. He wanted business to contribute to Democrats not because they had to, but because they wanted to.

Once Clinton was in the White House, the coffers opened up for him and for his party. In the campaign of 2000, the Democrats raised $340.3 million from business. Labor’s contribution to the party was $52.4 million.[33]

Republican Congressman Duncan Hunter observed that “Clinton in a perverse way, has acquired the twofer that the Republicans honestly acquired under Theodore Roosevelt: by appealing to labor they managed to win the exclusive backing of labor; at the same time, by appealing to multinational corporations, they managed to take a large share of businesses.”[34]

David Bonior, the then Democratic whip in the House, who had led the House opposition to NAFTA, said Clinton was motivated by “the same thing that drives everything; it’s power and money. And they go hand in hand. And money provides the opportunity for power. You get the money from being on the side of those who have it.”[35]