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# IF NOT NAFTA, THEN WHAT?

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As the U.S. debates NAFTA, the assumption of all sides is that this single agreement will decide the fate of American workers and our relation specifically with Mexico. Whether opponents of NAFTA raise the specter of the now-famous "sucking sound" of jobs heading south of the border, or NAFTA advocates see a rosy future of exports and jobs in the U.S., both sides seem to assume that NAFTA is the end of the story.

However, NAFTA is just institutionalizing the already existing reality of multinational investment in Mexico. Whether or not NAFTA is passed, the real debate we need to begin is how to deal with a global economy encompassing not just Mexico but literally billions of other low-wage workers in Latin America, Africa and Asia. What we need is a positive alternative to merely defeating NAFTA that will strengthen labor on a global basis and begin the process of reversing the dominance by corporations of the world economy.

## What Advocates of NAFTA Ignore

Those who support NAFTA argue that any loss of present jobs to Mexico will be more than compensated by the creation of high-wage, high-skill jobs in the U.S. because of our higher productivity. Unfortunately, what Clintonites fail to take into account are places like the Ford factory in Hermosillo. According to an MIT study, this Ford factory has the highest quality of any auto plant in North America. More generally, studies have shown that auto factories throughout the *maquiladoras* are 80-100% as productive as U.S. factories. These high-productivity plants pay on average one-tenth of U.S. wages. In Mexico, these wages are barely enough to feed a family, let alone buy a refrigerator or one of the cars they assemble.

The export of manufacturing jobs to lower-wage countries is hardly unique to the U.S.. European workers are facing the same pressures from low-wages in other countries. Germany, which has been touted as being one of the most successful in following a high-skill, high-wage strategy, is expected to lose one-third of its manufacturing jobs by the year 2000. Even Japan has had to face the outsourcing of many manufacturing jobs to other countries.

While the so-called "high-wage, high-skill" strategy in countries like Germany and Japan have slowed this loss of manufacturing jobs compared to the U.S., its limits are becoming obvious even as President Clinton and others have begun promoting it. As UAW economist Steve Beckman has noted, "If you pluck that technology there, [Mexican] workers can do the same things our members can do with a certain amount of training." What this shows is that while we do need to make investments in our society—especially in the education of our citizens— in order to save our economy, such a program is not enough.

Moreover, the challenge of low-wage workers from Mexico, South Korea and Singapore are being undercut by the emerging workforces of Indonesia and China. Nike subcontracts the manufacture of its shoes to multiple factories in Indonesia, where in 1992 they were paying $1.03 per day or 14 cents per hour—less than what the Indonesian government declares is needed for "minimum physical need." Not surprisingly, a recent International Labor Organization survey estimated that 88% of the Indonesian women working at one Nike factory were malnourished.

But the challenge of Mexico or even Indonesia is nothing compared to the potential challenge of 1.3 billion workers in China—more than the total workforce of the U.S., Europe and Japan combined. Nike subcontractors in China are now producing two million pairs of shoes per month. Western multi-

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nationals are transferring jobs from the developed countries to Chinese workers who are being paid two to four dollars per day. The sobering fact is that when measured in actual purchasing power for local goods, China is now at the level of development South Korea was in the early 1970s; experts estimate it will continue to grow by 10% each year for the next decade. And China is equivalent to one hundred potential South Koreas now entering the global labor market

U.S., European and Japanese workers increasingly find themselves being pitted against Third World workers in a bidding war to lower wages and environmental standards. If we continue to treat Mexican and Chinese workers as just competitors for jobs, we will lose this bidding war. We face the challenge of bettering both their lives and ours together if we are to advance together rather than fight against each other over ever declining living conditions.

## A New World Order: Global Keynesianism?

This dilemma is nothing new. At the end of World War II, people throughout the West feared that once military spending slowed, countries would revert back to 1930s-style depression. The U.S. feared that low wages in war-ravaged European countries would undermine wages in the U.S., while leaving European workers with too low a wage level to purchase goods from the U.S.—exactly the same worries we now express about Mexico and China.

The solution at the time was a combination of massive U.S. government aid to Europe in the form of the Marshall Plan and the stabilization of investment through a U.S.-dominated International Monetary Fund (along with renewed military spending as the Cold War took off). This aid was immediately used to employ European workers and, in turn, to buy goods from the United States, thus assisting economic growth and employment in all countries involved.

The problem was that this solution was a one-shot deal. No permanent mechanism was created that would ensure that as Western countries recovered from the war and as other countries developed, they would in turn aid other developing nations, nations in recession, or nations which were having difficulty competing in the global market. What was lacking was a mechanism to keep the process of wage growth moving forward across the globe. And in the early 1970, we felt the result of this failure: wages in the U.S. began to fall in real terms and have continued to do so.

Back in 1945, British economist and statesman John Maynard Keynes and U.S. labor leader Sidney Hillman prophesied this exact result in the long-term when post-war world leaders failed to create a permanant system for growth and employment; i.e. "global Keynesianism." Instead, we had the phenomenon of the U.S.-dominated International Monetary Fund (IMF) forcing Latin American countries to lower their wages during the 1980s to pay off debt, thereby furthering job flight from the U.S. to those countries. In Mexico itself, wages fell almost in half during the decade of the 1980s.

It is clear that we need to begin the hard process of building a system of global Keynesianism and the global institutions necessary to make such a system democratic. However, the process of creating such a global system will probably require a number of smaller regional "one-shot" job creation mecl nisms to build the political momentum and experience for the broader goal. In pursuing an alternative to NAFTA, we can begin the process of moving forward the goal of global Keynesianism.

## How to Get There From Here

If in the short-term we agree that the proposed NAFTA agreement is not the right next step, then what should we do? Some people argue that the best alternative is raising tariffs and excluding many imports that might threaten jobs here in the U.S.. While free-traders use the protectionist Smoot-Hawley Act that furthered the Great Depression to attack any discussion of democratic management of trade, they have a point. Protectionism is a recipe for international division, conflict and, ultimately, lower wealth for all that will undermine any chance for global cooperation needed to raise wages for all workers aound the world.

So, what can we do in the short-term to both save jobs in the short-term and begin to build the institutions that can coordinate world-wide job creation? The priority must be on building the cross-national grassroots organizations—unions, community groups, and environmental alliances—that can defend and move forward on each step of a long process towards global cooperation.

In that context, we return to Mexico as a focus, but not ju as a trading partner but as fellow workers and global citizens with whom we share much more than trade. In bridging the world-wide divide between developed and devoloping nations, the U.S. and Mexico are in a unique position to build a model for further North-South integration.

The U.S. and Mexico share the longest border between an industrialized and a developing nation. Mexico is the U.S.'s third largest trading partner (after Canada and Japan) and the U.S. is Mexico's largest trading partner. More important is the human connection in the form of immigration between the two countries, especially for California where over half of all Mexican immigrants go. To put the importance of this immigration in perspective, the Lewis Center for Regional Policy Studies has noted that the economic size of the Latino population in the U.S. is not much less than that of the entire GDP of all of Mexico. This human link means that we have more grassroots links, both at the personal and organizational level, with Mexico than with any other developing country.

We need to build on these human relationships to create not just a trade agreement but a political and social community between our nations. Unlike NAFTA, such a community would create a democratic forum where democratically-elected representatives could meet to create joint standards of environmenta and labor treatment and foster Continent-wide development ot good jobs.

This is hardly a radical new idea. Across the ocean, the

Europeans rebuilt their war-torn economies in the context of an ever deepening European Community. Today, the EC includes countries ranging from countries as wealthy as Germany and France to countries as poor as Portugal and Greece. On a European-wide level, standards are slowly being created for labor rights, environmental responsibility, and general social standards. To accomodate the imbalance of wages between richer and poorer regions, the EC has established "cohesion" funds to foster higher wage economies in those poorer regions. In this way, Europe is working to level-up wages rather than to level them down.

Some would argue that the economic gap between the U.S. and Mexico dwarfs the gap between richer and poorer European nations. While the gap is larger, it is a quantitative rather than qualitative difference. As one example, Mexican wage rates are approximately 15% of average rates in the U.S., while Portugal's wages are 19% of Germany's. Now, Mexico's size relative to the U.S. and Canada is larger than comparative differences of poor to rich countries in Europe, but the gap is not insurmountable.

On the positive side, the very imbalance between the U.S. and Mexico means that a coordinated plan for creating jobs could have a dramatic effect on Mexican wages. There is general agreement among liberal and progressive forces in the U.S. that we need a serious job creation program for this country, especially aimed at inner-cities. In dollar terms, the Mexican economy is roughly the size of Los Angeles County, so including Mexico in such a national jobs plan would be a significant but not overwhelming challenge and the payoffs could be dramatic.

In creating greater integration between our countries, there are justifiable worries about political corruption in Mexico. However, the EC faced and overcame these problems when they accepted Portugal, Spain and Greece which were run by corrupt dictatorships until the 1970s. The very process of European integration helped pressure those dictatorships to democratize in order to fully participate in a European union.

Worries about political corruption in other countries or sacrificing power to multi-national governing bodies are really about our justifiable fears of losing sovereignty over our destiny. However, given the increasing economic integration within the global economy, we are losing our sovereignty to multinational corporations. When we are told that we have to accept lower wages and weaker environmental standards or companies will leave for other nations, we have already lost control of our political and economic destiny.

This is acknowledged even in the discussion of NAFTA in the form of the "side agreements." The problem with these labor and environmental side accords is that they are only on the side, focusing on punishing the worst outlaws without getting at the real roots of low-wage exploitation and environmental crime that come out of the lack of Keynesian-style coordination.

The NAFTA side agreements amount to swapping national regulation on business for an international Wild West where all the marshall can do is shoot the worst criminals (or at least gives them a stiff fine). And as Keynes and Hillman said, an international Wild West is a recipe for depression and disaster. What we need is a system not just to police outlaws but to assist honest workers in raising wages across North America.

Obviously, building a North American Community can only be a first step given the challenge as symbolized by China. In the long run to regain real sovereignty, we must deepen and democratize the international institutions at the inter-governmental level, but more importantly we must expand the international grassroots institutions of unions, environmental and community organizations. Whether building on already existing international labor federations or expanding on the Rio Summit connections between NGOs around the world, we can build the institutions to keep the process of global democracy moving forward.

In challenging NAFTA, GATT and other global agreements, we must do more than just fight for their defeat. We must work for positive alternatives that can regain our sovereignty and take on the long-term process of creating a just global order. The real fight is not over NAFTA; the real fight is over what comes next.

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