Free Trade: Exporting Jobs, Importing Aliens

By Peter B. Gemma

In his book, *The Open-Borders Network: How a Web of Ethnic Activists, Journalists, Corporations, Politicians, Lawyers, and Clergy Undermine U.S. Border Security and National Sovereignty,* author Kevin Lamb — managing editor of this journal — makes this important observation: "The propaganda in favor of uncontrolled immigration from today's business leaders echoes the arguments California business magnates made in support of bringing in hundreds of thousands of Chinese coolies to work on the railroads and in agriculture in the 1880s. Yet there is an important difference. Until recently, advocates for American business took care to claim that their demands served the interests of the nation and its people. Today, a growing and significant segment of America's most important business interests is not only striving for, but openly espouses, the opening of America's borders and the eclipse of its national sovereignty."[1]

The special interests Lamb writes about are what President Dwight Eisenhower dubbed "the military-industrial complex": a powerful conglomerate consisting of Wall Street moguls, multi-national corporate elites, and naïve politicians, who on this issue, will march under a "free trade" banner in anybody's parade.

Corporate elites and political globalists are mounting an assault on American immigration restriction laws, job growth policies — and U.S. sovereignty. Their weaponry includes so-called "free trade" treaties, and the establishment of regulatory agencies such as the World Trade Organization (WTO) and the General Agreement on Tariffs and Trade (GATT) to facilitate them. The World Economic Forum (WEF) is an example of a formidable battalion in the open borders army. Its membership includes over 800 chief executives, some 200 government leaders, numerous high-ranking officials from regional and international organizations, and some 300 scientists, artists, and representatives of the media. Major firms from all sectors of business and industry are represented. WEF is part of *the* establishment who, as Lamb says, advocate tearing down America's borders, stealing jobs from the working class, and neutralizing U.S. national sovereignty.

And it's a broad coalition of special interests supporting "free trade" tactics that benefit the few at the cost of the many. Consider:

- **National Association of Manufacturers**: "The United States should not place artificial quotas or restrictions on employers' ability to hire or move people as needed."[2]
- **American Hotel and Lodging Association**: "[our]…primary mission is to allow employers facing shortages of semi-skilled and unskilled ('essential worker') labor to hire workers from abroad."[3]
- **United Food and Commercial Workers** (UFCW): On June 10, 2000, International Secretary-Treasurer Joe Hansen said, "The position of the UFCW is simple and direct: we don't care about green cards, we care about union cards. We care about union contracts that guarantee dignity at work and a decent standard of living at home — regardless of race, gender, nationality or immigration status."[4]
- **League of United Latin American Citizens** (LULAC): "LULAC supports the regularization of undocumented workers in the United States…to allow immigrants to remain with their families while their applications are processed, along with the restoration of Food Stamps for legal immigrants."[5]
- **Lutheran Immigration and Refugee Service**: "We [support] an immigration system that…allows immigrant workers to live freely and openly in our society."[6]

Wall Street bankers, multi-national corporations, and ethnic interests all have a stake in "free trade."

Former U.S. Sen. Ernest F. "Fritz" Hollings (D-SC)

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made this observation about the insider-manipulation of U.S. international trade policies: "The problem is not that the government is too big because it tries to do too much. The problem is that the government is too big and of one mind with Wall Street, the financial crowd, Corporate America and their economists. The cabal's one mind is to make the people feel like jobs are being created while [it] off-shores jobs as fast as it can."[7]

Why Fight Something *'Free'*?

Of course, "free trade" treaties give off the sweet smell of success but really have nothing to do with free or fair trade: they are *managed* trade arrangements. The North America Free Trade Agreement (NAFTA), the comprehensive trade obligation the U.S. took on in 1994, has over a thousand pages of fine print—filled with favors and exceptions for special interests, while imposing obligations and restrictions on the beleaguered American manufacturing sector.

From 1989 to 2002, an estimated 682,900 U.S. jobs were lost or displaced because of the NAFTA deal and the resulting trade deficit, according to a study reviewing U.S. government trade and employment data conducted by the Economic Policy Institute, a nonpartisan think tank. Before the signing of NAFTA, the U.S. held a $1.6 billion trade surplus over Mexico; as of 2010, *Mexico's* trade surplus now hovers around $97.2 billion. NAFTA continues to cost jobs: during the years 2007-2010, the U.S. economy has lost 116,400 jobs as a result of the trade deficit created by NAFTA.[8]

Free trade deals often don't work for U.S. partners either. CAFTA, the Central American Free Trade Agreement, has cost about 20,000 jobs in that region since its implementation in 2005. Most losses affect contract manufacturers who make low-value garments for U.S. apparel makers. American importers from CAFTA countries must continually report to U.S. Customs bureaucrats about their CAFTA shipments. The agency then investigates working conditions and the legitimacy of the claims for trade preferences. However, American importers who buy from China can benefit from that country's (artificially) low costs and high productivity without having to meet such requirements, since they're not applying for any trade pact preferences for Chinese goods. In 2009, overall U.S. imports of apparel dropped by 6 percent, but imports of apparel from China increased by 11 percent. That's a double loss: jobs for American *and* Caribbean workers.

The U.S. trade deficit has exploded since NAFTA and WTO were adopted as central to U.S. trading policies. Under the NAFTA-WTO regime, the U.S. has become the dumping ground for the world, with a trade deficit peaking at over 6 percent of GNP. This deficit subtracts directly from national economic growth. Under the current free trade pact model, the U.S. trade deficit went from $103 billion in 1993 (before NAFTA-WTO), to a peak of over $830 billion.[9]

Free Trade Players

Despite what appears to be uniform support from Republicans and their business sector allies, there is opposition from the right to insider international trading deals, and from a variety of standpoints. Pundit Patrick Buchanan has said, "The WTO elevates trade to the highest good. It is trade *über alles*. Trade trumps the environment. Trade trumps human rights. It trumps the security of countries. It trumps the sovereignty of countries. It should never have been created."[10] Chuck Baldwin, the 2008 presidential candidate of the Constitution Party, states, "I believe these free-trade deals, as they are called...are tools of globalists to sacrifice American independence and sovereignty."[11] Even the conservative Republican newspaper *Human Events* noted: "The NAFTA marketplace, unrestrained in the pursuit of cheap labor, has driven an increasing volume of manufacturing offshore to Communist China where slave prison camps offer a cost of labor that is hard to beat."[12]

The chorus of NAFTA-free trade opponents also includes libertarians. Michael Badnarik, the 2004 Libertarian Party nominee for President, advocates withdrawing the U.S. from the North American Free Trade Agreement and the General Agreement on Tariffs and Trade. "NAFTA and GATT have about as much to do with free trade as the Patriot Act has to do with liberty," he has said. "We need to get the government out of regulating trade, so that American workers can do what they do best, and that is to create wealth." In 1993 the late libertarian economist Murray Rothbard wrote, "NAFTA…is bad news. It's worse than open socialism; for it's internationalist socialism camouflaged in the fair clothing of freedom and free markets."[13]

The politics of free trade brings together odd bedfellows. During the recent fight over a free trade pact with South Korea, President Obama was sleeping with such proponents as: The Boeing Company, Pfizer, Inc., Citigroup, Chevron, Goldman Sachs, Delta Air Lines, the Chamber of Commerce, JPMorgan Chase, and most House *Republicans*.

On the other side of the bed was an interesting mix too. Democrat U.S. Senator Sherrod Brown (American Conservative Union rating zero percent; Americans for Democratic Action rating 100 percent) represents the blue-collar state of Ohio. He asserts: "I continue to believe it is a dangerous mistake to pursue the same kind of trade deals that ballooned our deficit and led to massive job loss. We simply cannot keep barking up this tree as American companies fold and American workers face prolonged unemployment. Until we address China's manipulation and make decisions to reduce our trade deficit, I see no reason to pursue more NAFTA-style free trade agreements."[14]

Populist political activist Ralph Nader has opined: "Millions of manufacturing jobs in this country have been shipped overseas. This transfer was supposed to be part of the 'win-win' process of free trade. But 27 straight years of growing trade deficits makes one wonder: who's winning?" The well-known consumer-advocate also says, "Someday the Pollyanna belief that the U.S. economy always replaces the jobs it loses overseas with new jobs here, as we keep racing ahead of other countries with modern technology, may run into a contrary riptide that no set of spurious statistics can obscure."[15]

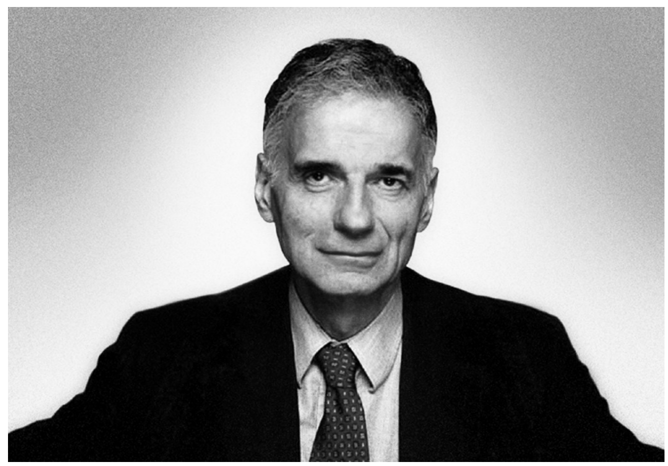
The Fine Print of Free Trade Pacts

An important feature of these free trade agreements is "H-1B" and "L-1" visas — mechanisms which allow U.S. businesses to employ foreign workers in occupations that require technical expertise such as scientists, engineers, and computer programmers. H1-B and L-1 foreign workers are allowed into this country on a temporary basis. The premise of this work visa system is that the corporations still seek and train Americans to ultimately fill the jobs. In reality, ambiguities in both the H-1B and L-1 programs have made it easy to bring in cheaper foreign workers, with ordinary skills, who directly substitute for, rather than complement, U.S. workers — displacing and denying opportunities to American job seekers.

The loopholes also provide an unfair competitive advantage to companies specializing in offshore outsourcing, undercutting companies that hire American workers. For at least the past five years, nearly all of the employers receiving the most H-1B and L-1 visas are using them to send tens of thousands of high-wage, high-skilled American jobs overseas. Corporations are now changing the ratio between on-site and offshore workers, bringing fewer employees to the U.S. but training them to train fellow workers in their native lands. Indian national Nandita Gurjar, who heads human resources at Infosys, the IT mega multi-national, says that U.S. companies are hiring more people within India rather than taking people from her country.

By way of background, Infosys revenues increased to $4.8 billion in 2010, up from $203 million in 2000. Its workforce has increased from 5,400 to 113,800 in that time period, and Infosys has 10,700 H-1B and L-1 visa holders on its payroll.[16]

Visas issued in the L-1 category involve transfers within the same company, and employees do not need to be paid the minimum wage levels of the U.S., which are much higher than what an employee on an L-1 would be paid. The number of L-1 visas issued to India for example, has risen from 2,276 in 1998 to 37,145 in 2010. On the other hand, the number of H-1Bs increased about 30 percent during the same period. If more multi-nationals adopt this L-1 tactic, the American economy takes another hit. For example, contributions to Social Security alone by Indian firms would normally amount to about $1 billion—but those foreigners don't pay into Social Security for Americans.



Consumer Advocate and 'Free Trade' Critic Ralph Nader

The offshore outsourcing industry in India is generating $62 billion a year in revenue, up from $4 billion in 2000, according to a January 1, 2010 report in *The Times of India.*[17] Offshoring jobs through the H-1B program is so common that it has been dubbed the "outsourcing visa" by India's former commerce minister.[18]

According to a study by Ron Hira, associate professor of public policy at Rochester Institute of Technology, American workers are being replaced by their cheaper foreign counterparts, who are also being asked to train their foreign replacements. "I have friends at Xerox, and Xerox just took over Affiliated Computer Services [ACS]," [and] they are training their Indian counterparts, and ACS is offshoring [jobs] like crazy, too." Hira, whose university is located in the same city as Xerox headquarters, notes that Xerox CEO Ursula Burns is the vice chair of President Obama's Export Council, "and people up here are scoffing and laughing because she made her mark before she became CEO by setting up the offshoring of engineering in India." According to Hira, "The only thing she knows how to export is jobs!"[19]

Hira warns:

> Like the H-1B program, the L-1 program does not require a labor market test. Applying firms do not have to prove that a labor shortage of domestic workers exists, nor that they have made an effort to actively recruit U.S. workers for the job. In fact, a U.S. worker can be displaced from a job by an L-1 worker.[20]

Hira also emphasizes this point: "Unlike even the H-1B program, the L-1 program does not require that workers be paid local prevailing wages — so they can be paid the prevailing wage of their home country."

The law creating the L-1 visa category does not even require the petitioning company to have any operations in the United States, or even operate in more than one country — it merely requires that the alien worker comes to the United States to continue to serve the petitioning employer, or a subsidiary or affiliate thereof, in a capacity that is managerial, executive, or involves specialized knowledge. Any foreign company can use the L-1 visa to send employees to the United States to open a new office.

The Korea Experience: More of the Same Only Worse

Last October — despite opposition by a wide range of interests including Ralph Nader, the Sierra Club, and the AFL-CIO, as well as Donald Trump, libertarian Congressman Ron Paul, and conservative activist Phyllis Schlafly — Congress succumbed to the power and persuasion of the ruling elites and passed free trade agreements with Korea, Panama, and Colombia. These NAFTA-style pacts will have significant repercussions on the economy for years to come.

The Associated Press called the Korea Free Trade Agreement (KFTA) "the largest U.S. trade deal since the 1994 North American Free Trade Agreement."[21] The mammoth 1,000-plus page Korea deal micro-manages U.S. trade from the age of cows to the size of auto engines. And with wording almost identical to NAFTA, the economic impact of KFTA on American workers will really hurt: the Economic Policy Institute estimates that KFTA will increase the U.S. trade deficit with Korea by $13.9 billion over the next seven years. Rising Korean imports could displace approximately 888,000 U.S. jobs over this time period, with the KFTA projected to be directly responsible for about 159,000 net job losses.[22]

During the debate over KFTA, the International Brotherhood of Teamsters President Jim Hoffa issued this statement: "The United States has lost five million jobs since NAFTA, and the last thing America's middle class needs right now is 'Son of NAFTA,'" according to Hoffa. He continued, "We desperately need to reverse direction and protect our economy instead of giving it away to our diplomatic partners. One of the real dangers of this deal is that it gives South Korean multinationals new rights to challenge U.S. laws. Why should a foreign company or investor have more power in this country than our own small businesses?"[23]

Environmental advocates Friends of the Earth took this position regarding the passage of the free trade agreements with South Korea, Colombia, and Panama: "Friends of the Earth and other environmental advocates oppose ratification of the three agreements, which were negotiated by the George W. Bush administration and are based on the flawed model of the North American Free Trade Agreement. All three agreements include NAFTA-style investment chapters that grant foreign corporations property rights that are unavailable under U.S. constitutional law. These rights enable corporations to sue the U.S. and other governments signed onto the trade pacts before international tribunals, and to seek money to compensate for the costs of complying with regulations that protect the environment and the public interest."[24]

Texas Republican Congressmen Ron Paul (American Conservative Union rating 91 percent; Americans for Democratic Action rating five percent) wrote a letter to his House colleagues stating:

> Free trade theorists such as Adam Smith and David Ricardo must be rolling in their graves to see pacts like President Obama's Korea Agreement called 'free trade.' It includes endless pages of rules and regulations enforced by foreign tribunals. This act is a sneaky form of international preemption, undermining the critical checks and balances and freedoms established by the U.S. Constitution's reservation of many rights to the people or state governments.[25]

KFTA is not a free trade exchange — it's just another sweet deal for special interests.

The Korean news media revealed that multinational corporations who recruit low-priced skilled workers from abroad get a fat bonus: L-1 visa validity for Korean workers is now extended from the current 12 months practice to up to five years. When the free trade deal came under scrutiny from the Korean press, this shocking news came to light: U.S. tax dollars will actually flow into *North Korea* via its Kaesong Industrial Complex — a "free trade zone" haven for sweatshops where South Korean firms employ some 44,000 North Koreans for wages in the range of 25-38 cents an hour (their autoworker counterparts in South Korea earn $23.30 an hour). North Korean-manufactured automobile parts can be built into South Korean cars sold in the U.S. The KFTA deal allows up to 65 percent of these auto parts to be purchased from North Korea — then shipped here duty-free.[26]

Beyond investigative journalism, there are constituencies opposed to NAFTA-style free trade arrangements in the nations the treaties are supposed to benefit. "We have been hit by the North with cannons and now we're being hit by the U.S. with the economy," said Park Jie-Won, leader of the minority Democratic Party, calling the Korea free trade pact a "humiliating and treacherous deal." The Korea Confederation of Trade Unions declared it was against the agreement because it was, "based on an economic model that has privileged investor rights over workers' rights, public services, and the environment."

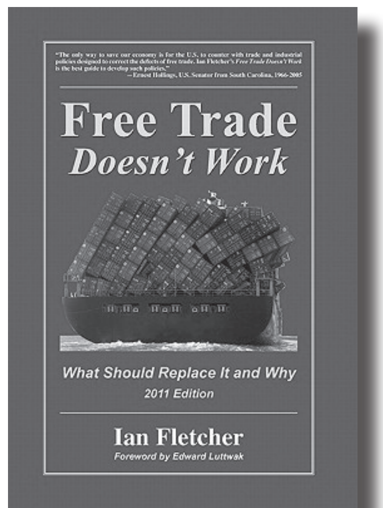
Fighting for *Fair* Trade

When this writer interviewed Ian Fletcher, author of *Free Trade Doesn't Work: What Should Replace it and Why*[27] and Adjunct Fellow at the U.S. Business and Industry Council, a small business lobby, I asked him why he is opposed to treaties encouraging free trade. He stated, "We've been through these games with over a dozen other nations before, and it always seems to turn out that the U.S. actually respects its market-opening agreements, while foreign nations game the system. How many times do we have to get burned before we learn? A big part of the problem is that many foreign trade barriers are not tariffs, or indeed any formal legal barrier at all — they're covert policies and understandings that foreign governments have with their own corporations which enable them to keep out American goods without violating the letter of any treaty they sign with us."

I asked Fletcher how to refute the impression that most conservatives, libertarians, and Republicans support free trade. His answer was direct:

> For a start, the libertarian answer to this question isn't the same as the conservative or Republican answers. The conservative answer is that America's tradition in trade policy, which goes back to Alexander Hamilton, the man on the $10 bill, is protectionism. And for the Republican Party, prior to WWII, protectionism was one of its major political principles. Do you know that Karl Marx was a free trader? Libertarians are totally naïve about the reality of foreign mercantilism, currency manipulation, state subsidies for industry, and all the other ways foreign nations decline to play by our rules. And given that China, for example, is kicking our behinds economically right now, why should they believe our rules are better?

How about a comeback for the notion that free trade agreements are good for business? "Depends what kind of businesses you're talking about," Fletcher said, "If you're talking about multi-national corporations that



have no loyalty to the U.S. and call themselves 'American' just to get in the door on Capitol Hill, then sure." Fletcher believes, "These people don't give a fig about American decline. Neither do the big retailers like Wal-Mart, who now mainly sells imported goods. But if you're talking about Main Street business or the kind of small and medium-sized manufacturing companies that still produce in the U.S., no it's not pro-business at all."

Politics and power-brokering aside, there are polls revealing what Americans think about free trade deals. In a 2010 survey conducted by NBC and the *Wall Street Journal,* 53 percent of respondents said free trade agreements (FTAs) have hurt the U.S., up from 30 percent in 1999, with the shift mostly attributable to a change in thinking by upper-income Americans. Only 17 percent now believe that FTAs have benefited the United States. An NBC News-*Wall Street Journal* poll asking the same question in 2007 found that 46 percent of respondents believed FTAs were harmful compared to 28 percent who believed they were helpful. In other words, sentiment against FTAs shifted from a 3-to-2 margin in 2007 to a 3-to-1 margin in 2010. Another notable fact from the September 2010 poll is that 61 percent of self-identified Tea Party supporters believe free trade agreements have hurt the U.S., while "among those earning $75,000 or more, 50 percent now say free-trade pacts have hurt the U.S., up from 24 percent who said the same in 1999."[28] As the saying goes, it's the economy, stupid.

So, if opposition to free trade agreements comes from liberals, populists, labor unions, environmentalists, small business advocates, and even some Republican-conservatives (note: in the House of Representatives, 21 Republicans joined 130 Democrats in voting against the Korea/Panama/Columbia treaties), why does "free trade" have seemingly popular and powerful backing?

Pat Buchanan and Phyllis Schlafly, conservative critics of 'free trade,' addressed a conference in McLean, Virginia, sponsored by the American Cause, June 20, 2009.

First, as Kevin Lamb points out in his book *The Open-Borders Network,* "Business lobbies as diverse as the American Health Care Association and the Association of American Florists have called for amnesty for illegals. From information technology to apple picking, American business leaders have decided that foreign workers are better trained, cheaper, or more easily managed than Americans, and they are lobbying to reap the enhanced profits they believe such workers will bring — regardless of the security and the welfare of the American people."[29]

But there are bigger players at work.

Paul Craig Roberts was the Assistant Treasury Secretary in Ronald Reagan's cabinet. As an economist, he has published eight books, and written many columns for leading publications like *The New York Times, BusinessWeek,* and the *Wall Street Journal.* When it comes to economics, he knows his stuff. In an interview with the *Daily Bell,* Roberts concisely defined the power elites who benefit from insider-driven arrangements like "free trade" deals:

> The U.S. now resembles an oligarchy of private interests. The most powerful ones are Wall Street, AIPAC (the American Israel Public Affairs Committee), the military/security complex, the oil industry, agri-business, insurance and pharmaceuticals. These private interests control economic and foreign policy, write the legislation that Congress passes and the President signs, and have achieved the monopolization of the U.S. economy by large-scale commercial organizations. As far as I can tell, traditional conservatives scarcely exist in the U.S. today. They have been eliminated by the neoconservatives, essentially militarists committed to U.S. world hegemony."[30]

Free trade involves more than the shipment of goods and services at a profit for greedy special interests—it's a high stakes power game. Patrick Buchanan says the military-industrial complex is acting "like Marxists who were going to create a new man and a new society." They are, he says, "attempting the impossible."[31] Buchanan has long taken the position that the perception of the power elites, who threaten America's economy, its culture, and national sovereignty, should be one of giants with feet of clay. Writing in 1998, he asserted, "Today's acolytes of the global economy have discovered nothing new; they have simply rewritten the rules of trade to conform to their ideology and to benefit themselves at the expense of their country and their countrymen…America's elites, smug and arrogant masters of the 'world's last superpower,' are frozen in the ice of their own ideology. And the steam is building underneath."[32]

The tipping point between Paul Craig Roberts' stark assessment of the battlefield and Patrick Buchanan's more positive perspective may very well rest on the readers of this article. ■

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