

What is Behind the Renegotiation of NAFTA? Trumpism and the New Global Economy

William I. Robinson

Professor of Sociology, University of California at Santa Barbara

The Trump administration's decision to renegotiate with Mexico the North American Free Trade Agreement (NAFTA) has been interpreted by most observers as the opening salvos of a new wave of U.S. protectionism. But Trump's public discourse should not be confused with the essence of his government's economic program and likely trade policies. A better explanation for the renegotiation, which may begin as early as mid-August, is to be sought in the transformation of the U.S. and the global economy in the years since NAFTA went into effect in 1994.

The North American economic region is part of a globally integrated production and financial system. Even if they were so motivated, U.S. political and economic elites could not, without utterly disrupting and destabilizing the country, disentangle the United States (or the North American region) from the vast network of chains of subcontracting and outsourcing that characterize the global economy. Trump and his billionaire cabinet members are part of the transnational capitalist class. The Trump family's business empire spans the globe, [including factories in Mexico](#) that take advantage of cheap labor and export back to the United States thanks to the provisions of NAFTA.

Trump railed against NAFTA during his electoral campaign as part of his strategy of garnering a base of support among sectors of the U.S. working class, disproportionately white, who face heightened insecurity and downward mobility as a result of capitalist globalization. No viable candidate can hope to be elected without putting forward a populist message. Hillary Clinton was forced as well during the campaign to come out against the Transpacific Partnership that Trump jettisoned upon taking office, just as Obama lashed out against globalization and its devastating effects on working people when he first ran for the presidency.

But beyond public discourse there is nothing populist in the policies that the Trump government has so far put forth. Trumponomics involves deregulation, slashing social spending, dismantling of what remains of the welfare state, privatizations, tax breaks to corporations and the rich, and an expansion of state subsidies to capital - in short, neo-liberalism on steroids. The U.S. political elite is deeply divided and mired by infighting, but [businessmen and investors are for the most part elated](#) with Trump's neo-liberal program, as indicated in the steep rise of stock prices in the months following his election.

From the Industrial to the Digital Economy

When NAFTA was negotiated in the early 1990s the largest U.S.-based companies were automotive, appliances, and machine tools, and manufacturing still drove the U.S. economy. At the time that NAFTA went into effect in 1994 the World Trade Organization did not even exist, few people used the internet, and although computers were just coming into widespread use there was as yet no such thing as a digital economy. The principal objective of free trade negotiations just getting off the ground at that time was to lift national barriers to the establishment a globalized system of production. This was achieved by NAFTA along with an astonishing [400 free trade agreements](#) that were negotiated around the world from the creation of the World Trade Organization in 1995 to 2016.

But since NAFTA and the WTO went into effect the global economy has continue to experience development and transformation. In particular, the transnationalization of services and the rise of the so-called digital/data economy – including communications, informatics, digital and platform technology, e-commerce, financial services, professional and technical work, and a host of other non tangible products such as film and music that require intellectual property protections – have moved to the center of the global capitalist agenda. In fact, worldwide growth of trade in services has outstripped by far that of goods in the last quarter century. By 2017 [services accounted for some 70 percent of the total gross world product](#).

On the one hand, the United States has led the way in the development of the digital economy and services account now for most growth in exports. The United States [registered a deficit of \\$750 billion in 2016 in trade in goods with the rest of the world, but it ran a \\$250 billion surplus in services](#) that same year. In 2016, the United States ran a \$64 billion dollar deficit with Mexico in trade in goods yet according to the office of the United States Trade Representative it ran a nearly [\\$7 billion services trade surplus](#) that year. On the other hand, Mexico is rapidly transitioning into the digital economy. [Mexican IT services hit \\$20 billion in 2016](#) and is expected to increase 15 percent year on year. High-tech Mexican entrepreneurs now boast of the rise of silicon valleys in Mexico City and Guadalajara, the country's two largest cities.

NAFTA did not include provisions related to this digital trade. In addition, it did not include state owned enterprises and the Mexican energy sector, and nor did it oblige Mexico to revise its labor code or abandon a number of regulatory practices. Although the Mexican government of President Enrique Peña Nieto has, for the first time since the country nationalized oil in 1938, allowed foreign energy companies to participate in exploration and production, the energy sector still remains for the most part national and owned by the state. And successive neo-liberal governments in Mexico have made limited headway in their efforts to revise the labor code and lift regulations on the hiring and firing of workers in order to make labor flexible.

U.S. trade representative Robert Lighthizer, who will represent the United States in the NAFTA renegotiation, was explicit in [declaring that the purpose of the renegotiation is to “modernize”](#) and “update” the agreement. “NAFTA was negotiated 25 years ago,” he said, “and while our economy and businesses have changed considerably over that period, NAFTA has not.” In particular, he said, “digital trade” had barely begun when the agreement took effect. New provisions were needed to address this digital trade, as well as intellectual property rights, regulatory practices, state owned enterprises and labor regulations. Far from protectionism, by renegotiating NAFTA and other aspects of the global trade regime the United States is acting to break down national barriers to service and digital trade that is now at the cutting-edge of the global economy, that is, it is promoting the next generation of globalization.

Why the Nationalist, Populist and Protectionist Rhetoric?

Attempting to explain trade, economics, and international relations from an outdated nation-state framework of analysis does more to obscure than to elucidate the dynamics of the new global capitalism. While it is true that, putting aside trade in services, the United States has an enormous trade deficit with Mexico, and well as with China and many other countries, the fact is that exports that go from Mexican to U.S. territory are not “Mexican” exports. They are the exports by hundreds of transnational corporations from the United States and from all over the world that operate in Mexican territory and that move their products through the vast networks of the global economy. The imports of goods into the United States from Mexico are transnational corporate exports moving from one national territory to another. National trade statistics conceal the transnational essence of the new global economy, and with it, the transnational class relations behind much contemporary international political dynamics.

So why has Trump railed out against Mexico through a discourse that is nationalist, populist and protectionist, not to mention deeply racist? To answer this we need to identify a fundamental contradiction in global capitalism: economic globalization takes places within a system of political authority based in the nation-state. This contradiction generates a host of dilemmas for states and the transnational elite. Governments gain their legitimacy by achieving growth, generating employment and prosperity. Yet in the age of capitalist globalization governments are dependent on attracting to the national territory transnational corporate investment, which requires providing capital with all the incentives associated with neo-liberalism – downward pressure on wages, deregulation, austerity and on so – that aggravate inequality, impoverishment, and insecurity for working classes.

To say this in academic terms, nation-states faces a contradiction between the need to promote transnational capital accumulation in their territories and their need to achieve political legitimacy. Governments around the world have been

experiencing spiraling crises of legitimacy in the face of the unprecedented inequalities and hardships imposed on working classes by globalization. This situation generates bewildering and seemingly contradictory politics.

Trumpism is a far response to the crisis of legitimacy that rests on a populist and nationalist message aimed in particular at those sectors of the U.S. working class, disproportionately white, that face increasingly precarious work and social conditions. Trump's imperial bravado and racist discourse, in part predicated on whipping up anti-Mexican and anti-immigrant sentiment, is an appeal to these sectors to channel their fear and insecurity towards a racist consciousness of their condition.

At the same time, therefore, Trump's Mexico agenda cannot be separated from its escalation of the war against immigrants, particularly from Mexico and Central America, inside the United States. The criminalization of immigrants, a sharp increase in raids and detentions, and "build the wall" rhetoric, are part of a larger strategy to disarticulate the political organization and resistance that has taken place among immigrant communities in recent years. It is not surprising that the recent wave of detentions, and deportation of immigrants from Mexico and Central America have targeting in particular labor and community activists among the undocumented immigrant community.

But the U.S. economy and the transnational capitalist class depend on the super-exploitation of an immigrant workforce that is held in labor peonage due to its lack of citizenship rights. U.S. rulers have been exploring ways to replace the current system of super-exploitation of undocumented immigrant labor with a mass "guest worker program" that would be more efficient in combining super-exploitation with super control. Indeed, while the detention and deportation of undocumented immigrant workers in California has escalating in recent years, the use of "guest workers" in that state's \$47 billion agricultural industry [increased by 500 percent from 2011 to 2017](#).

All of this is not to say that Trump's populist, nationalist, and protectionism discourse should be taken lightly. This discourse is tinged with a vicious racism, has inspired a neo-fascist mobilization of extreme right groups in U.S. civil society, and has escalated international tensions. But we would do better to see Trumpism as a highly contradictory and unstable far-right response to the crisis of global capitalism than a trenchant policy of protectionism and populism.