

The contrarian

Democrat debacle on free trade

The populist stance of US presidential candidates Barack Obama and Hillary Clinton over the North American Free Trade Agreement is obscuring sustainability concerns

It was probably inevitable that what looked like the Democrats' magical victory parade would run off course on the "free trade" issue. Delegate-rich blue collar states such as Michigan, Ohio and Pennsylvania are temptresses, begging the politically spineless to feed on the fears of workers as the economy slides into recession. More important, however, is that in their rush to out-pander each other, Barack Obama and Hillary Clinton are missing a golden opportunity to focus attention on the labour and environmental consequences of the North American Free Trade Agreement.

For much of the winter, Clinton and Obama railed endlessly against Nafta. But both sang a different tune a few years ago when the economy was humming. Clinton said back then: "On balance Nafta has been good for New York and America." Now she drinks the union protectionist Kool-Aid, claiming she had always been a "vocal critic". Her opposition seems especially tortured given that Nafta was one of her husband's signature accomplishments.

During his Senate run four years ago, Obama claimed Americans "benefit enormously from exports, and so we have an interest in free trade that allows us to move our products overseas". Now he blithely slams Nafta for killing "one million" jobs and threatens to "opt out" of the pact. That's boilerplate liberalism. Meanwhile, his senior economic adviser, Austan Goolsbee, since muzzled, was privately briefing Canadian officials that his campaign rhetoric was just so much political posturing. Which is it, Mr Anti-Politician?

That's the political overview. What are the economics of this

issue? It is difficult to make a strong economic case against Nafta. Since it took effect in 1994, manufacturing output has increased by 63 per cent. Claims of massive job losses contradict the numbers – the US jobless rate has dropped from 6.9 to 4.8 per cent – and state-of-the-art meta-studies, such as the non-partisan Congressional Research Service report of 2004, show the trade deal may even have generated jobs. The new questioning of Nafta has less to do with the pact itself, Mexico or Canada, but the fact that the US economy did not grow enough jobs after the recession that began in 2000, and now things are getting darker, fast.

Under the circumstances, with oil prices at historic highs, it seems foolhardy to attack your closest neighbours and allies. Canada, the largest supplier of energy to the US (900 million barrels of oil-equivalent in 2007), has those bountiful, beautiful Alberta tar pits. Canada is the biggest market for US exports, and Mexico is number two, snapping up \$380 billion of made-in-America products, a figure reached only after scrapping pre-1994 tariffs. And if Americans, and especially union workers, believe illegal immigration from Mexico is a problem now, imagine how much worse it will get if the next president throttles the Mexican economy by cutting off free trade.

Sense in sustainability

When not busy demagoguing about job losses, Obama and Clinton occasionally refer in passing to the most genuinely controversial aspect of Nafta: sustainability. Obama has pointed out that it has limited "core labour and environmental standards".



Pandering to a stalemate

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Clinton has said "environmental, health and labour standards" should be added.

On this issue, both talk sense. Although Nafta was the first multi-lateral agreement that linked trade to sustainable development, environmental concerns were afterthoughts, forced on the governments by advocacy groups. Sustainable development precepts were drafted into Nafta's preamble, plant sanitary standards were emphasised, and the governments vowed that the pact would not roll over the region's budding environmental efforts. A legitimate case can be made that those provisions have proved limp. Unfortunately, when you're busy blaming your neighbours for your own economic woes, something has to give, and the loser appears to be a focus on sustainability.

What it all adds up to is that free trade is far too integral to the world economy to be kicked around like a cheap party toy to satisfy election-year insecurities. A cardinal rule in US politics is that if you tilt too much to the extremists in your base to win nomination you risk alienating the broad middle that wins elections. The Democrats are creating a windfall for Republicans, whose standard bearer, John McCain, is steadfastly behind Nafta. The question remains whether the prospective Democrat nominees are going to align themselves with the economic centrists and sustainability advocates in the Democratic Party or with populist demagogues. ■



**COLUMNIST:
JON ENTINE**