The Miami Herald

July 31, 20017

Trump Hates NAFTA, But it Has Made Florida a Jobs Winner

Jerry Haar

As every professor well knows, “cramming for finals” is a seasonal occurrence like the swallows returning to Capistrano. However, the behavioral trait of procrastination is not a monopoly of academe--witness the perennial battle over NAFTA. Our northern and southern neighbors are finally getting off their duffs, albeit late in the game, to intensify and expand a strategic campaign to preserve the 23-year old trade accord.

Despite the overwhelming majority of independent economic studies that show NAFTA’s marginal gains exceed marginal losses, politics and emotion could well triumph over empirical evidence and rational thought.

As recently reported in the media, Canada and Mexico are pulling out all the stops to defeat the Trump administration’s plan to abolish or radically revise NAFTA. The Canadians’ prime focus is to lobby governors, local lawmakers, business leaders, Rust Belt and border communities to preserve NAFTA. In the case of Mexico, they are coordinating lobbying strategies with U.S. business associations and multinational firms with operations in Mexico.

Recognizably, the Canadians and Mexicans, along with U.S. organizations that support NAFTA, have assembled statistics, cases, and anecdotes that provide a compelling case for NAFTA—state by state, county by county, and district by district. To illustrate, one need only look at the president’s home state of New York. It is the No. 4 exporter of U.S. goods to Mexico, selling nearly $3 billion of manufactured products into that market in 2016 — a 235- percent increase since the accord was implemented. According to Jason Marczak of the Atlantic Council, thirty-three states count Mexico as one of their top-three export markets, and thirty-five claim Canada as their most important foreign market. Mexican-owned companies now operate more than 6,500 businesses in the United States, supporting an additional 123,000 US jobs.

At the heart of opposition to NAFTA is its opponents’ animus towards free trade agreements in general, centering specifically on domestic employment losses, runaway plants, and unfair trade practices. In the first instance, a comprehensive study by the U.S. International Trade Commission found that bilateral and regional trade agreements increase both employment and real GDP. The effects are even greater with trade agreements that are sector-specific such as textiles, automobiles, and agricultural products.

As for job losses due to NAFTA, 85 per cent of *all* job losses in the economy are actually due to technological change — largely automation — rather than international trade. And while there has been a steep decline in factory jobs, the manufacturing sector has become more productive and industrial output has been growing. It is now the rapidly growing services sector that dominates the U.S. economy and is responsible for our trade s*urpluses* with both Canada and Mexico.

In terms of NAFTA's investor protection rules spurring plants to relocate in to Mexico, the auto industry illustrates that this is not a zero-sum game. High domestic demand for automobiles in Mexico and the need to compete with European and Asian carmakers already in that market, combined with the incentive to use Mexico as an export platform to other nations in Latin America, are key drivers. Most importantly, one should note that U.S. car companies that produce in Mexico source more than half of their components—67% in the case of many cars like the Ford Taurus--from the U.S. However, when the car crosses the U.S. border, it is booked as an entirely Mexican export.

Finally, as for the case of unfair trade practices, all free trade agreements are structured to include rules governing product origin, intellectual property, dispute settlement, services, agriculture, technical barriers to trade, intellectual property, and investment, to name the most important. It is up to the signatory parties to enforce the rules, including the power to employ countervailing duties on dumped products. If a government fails to do so, is not the fault of the agreement itself.

As Steve Blank and I contend in *Making NAFTA Work*, the real story and genesis of NAFTA is about the recognition by all three governments of the new North American economic architecture that has transformed corporate strategies and structures and affected patterns of investment and business operations in Canada, Mexico, and the U.S. The cross-border flow and integration of finance, supply chains and human capital are widening and deepening. Protectionist actions by government may impede the process but cannot extinguish it.

Does NAFTA need to be updated? Of course. The inclusion of rules on cross-border data flows, data localization, and strengthening the labor and environmental side agreements would certainly be beneficial.

Right now pro-NAFTA forces in all three countries have a daunting challenge before them to win over the hearts and minds of NAFTA critics both within and outside the Trump administration. Should they be successful, the biggest winners of all will be consumers in Canada, Mexico and the United States.

Jerry Haar is a business professor at Florida International University and a global fellow of the Woodrow Wilson International Center for Scholars in Washington, DC. He is co-author with Stephen Blank of *Making NAFTA Work.*