A SYMPOSIUM OF VIEWS

Should NAFTA Be *Revisited?*

If you had to do it all over again, would you as President of the United States support NAFTA—the North American Free Trade Agreement—as implemented?

The views of twenty experts.

THE INTERNATIONAL ECONOMY

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Definitely yes.

CHUCK GRASSLEY

United States Senate (R-IA), and Ranking Member, Senate Committee on Finance (with jurisdiction over international trade)

In 1993, I voted to implement the North American Free Trade Agreement. I was confident that this agreement would provide significant benefits for the United States. Some fifteen years later, I know that my vote was the right one.

Prior to NAFTA, the United States applied an average overall tariff of about 2 percent on imports from Mexico, while Mexico applied an average tariff of about 12 percent on U.S. exports. With NAFTA, we leveled the playing field for U.S. exporters by dropping the tariff to zero on both sides of the border. At the time NAFTA was implemented, Canada already was phasing out its tariffs on U.S. imports under our 1988 bilateral trade agreement.

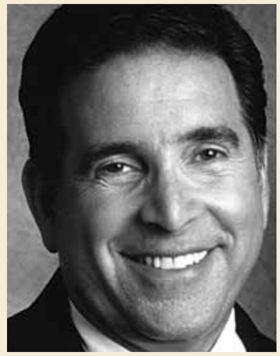
Since implementation, U.S. merchandise exports to Canada and Mexico have more than doubled. These exports support good-paying jobs here in the United States.

Particularly important to my home state of Iowa, the agreement has brought significant benefits to American farmers. While worldwide exports of U.S. agricultural products grew by 65 percent from 1992 to 2007, agricultural exports to our NAFTA partners increased by 156 percent over this time period.

Contrary to claims that NAFTA has harmed Mexican corn farmers, Mexican corn production actually has increased slightly since implementation. Mexican exports of high-value fruits and vegetables have risen significantly under NAFTA. Mexican consumption of meat has grown substantially, which is due in part to increased access to affordable feed from the United States.

The benefits are more than economic. Mexico has made significant strides toward democracy since 1993, which I am convinced can be attributed in part to the agreement. After all, free markets help to strengthen and reinforce the rule of law.

The bottom line: All three countries—the United States, Mexico, and Canada—are better off after NAFTA than before it. If the past is a guide, the next fifteen years will bring even more prosperity and opportunity than the last.



No, U.S. corporations have no "American" interest.

VICTOR KAMBER

President, Coalition Services Practice, Carmen Group, Inc.

I'll concede that Bill Clinton had a good idea when he launched NAFTA. It was going to be good for business, good for workers, good for our economy. We foolishly believed we were all in this together, equal partners in a bold new venture to create jobs and prosperity across the hemisphere.

What we failed to realize is that despite the American flag lapel pins their CEOs wore, U.S. corporations have no "American" interest in their global wheeling and dealing. Only the bottom line matters. They saw NAFTA as a superhighway to drive down wages, and they put the pedal to the metal.

Shuttered factories and loss of manufacturing jobs have made voters angry and frustrated, which is why NAFTA has become a big issue in the 2008 presidential debates.

Both Senators Clinton and Obama have said they would renegotiate NAFTA. They don't want to stop trading with Canada and Mexico, but they don't like the way the game is played. NAFTA rules are patently unfair to American workers. Powerful corporations get all the protections while defenseless workers get only promises.

For American labor unions, the very notion of our government enforcing international labor provisions is suspect anyway, since they've done such a poor job of it here at home.

In years past, when unions were in tough bargaining for a new contract, their employers often would threaten to move their factories to the non-union Deep South.

Now with NAFTA, they go further south, creating that giant sucking sound Ross Perot talked about.

What the next American President should support is *fair* trade. That's what all of us really want—a level playing field for our workers and businesses. That would be good for our country and maybe put a sock in the hemorrhaging trade deficit.

Absolutely.

JOHN ENGLER
President, National Association of Manufacturers, and former three-term Governor of Michigan

Absolutely. NAFTA did what it was supposed to. It eliminated trade and investment barriers in North America, increased commerce with Canada and Mexico, and built a stronger foundation for productivity, growth, and innovation. Our exports to NAFTA partners have grown 20 percent faster than to the rest of the world, and NAFTA is the largest export market for forty-three states. NAFTA is also our biggest energy supplier—larger than the next three suppliers combined.

NAFTA has been vilified, but on the basis of hyperbole, not facts. How many times have you heard NAFTA has cost a million jobs? That's silly. The fact is that in the fifteen years before NAFTA, U.S. manufacturing lost 2.5 million jobs. But in the years immediately after NAFTA went into effect in 1994, factory employment grew—up 500,000 by 2000. In 2001—seven years after NAFTA—we started losing jobs again, 3.5 million by last year. Critics blamed the growing NAFTA trade deficit, apparently unaware the entire deficit increase was in oil and gas. The non-energy NAFTA trade deficit shrunk from $46 billion in 2001 to $43 billion in 2007. That is in sharp contrast to the rest of the world, where our manufactured goods deficit grew nearly $200 billion—$30 billion with the European Union alone.

Critics also charge that NAFTA put downward pressure on worker compensation. But U.S. Labor Department data show real hourly compensation in manufacturing grew much faster after NAFTA than before NAFTA. And productivity has grown 50 percent faster since NAFTA than in the fifteen years prior to NAFTA. That is a key reason why more U.S. companies plan to increase production in the United States than in any other country, per the new survey on the National Association of Manufacturers website. NAFTA is a winner. Let's have more.

No, it failed workers.

GABRIELA D. LEMUS
Executive Director, Labor Council for Latin American Advancement

No, I would not support NAFTA in its current format. NAFTA was a significant failure for workers in all three nations. Almost fifteen years after the implementation of NAFTA, the reality of the region is far from the original promises of this treaty, and the majority of people did not benefit from the agreement: poverty remained the same or grew, concentrations of wealth skyrocketed, the purchasing power of minimum wages declined as did social spending, and immigration from Mexico reached historical highs.

NAFTA was sold to the public and negotiated as a development policy and that was the first mistake. Trade is beneficial when it is accompanied by fair policies that foster economic, social, and human development. Sadly, these were not the priorities in this treaty.

The 2008 presidential primaries have induced great political momentum for the demand of a shift in our current trade policy. The incoming president must revisit NAFTA and demand a close analysis of its outcomes beyond macroeconomic policy. Senator Obama has rightly proposed an immediate review of NAFTA. In contrast, Senator McCain is a purist on free trade, as his voting record demonstrates, and he appears to be inflexible on the issue.

Achieving commonsense bipartisan consensus is not unattainable: Fifteen years of NAFTA provide us with enough evidence demonstrating that this is not the best way forward for the overall economic development of the region, nor for a role in global competition. A starting point should be careful review of any new NAFTA-like free trade agreements and the creation of a concrete framework to guide the formulation of trade policies that are fair—especially when dealing with countries with stark economic asymmetries in comparison to the United States—and that take into account both the social and political consequences of deepening integration.

Good efforts have been made to move trade policy in an innovative direction. The Trade Reform, Accountability, Development, and Employment (TRADE) Act introduced on June 4, 2008, paves a new way forward on trade and sets key priorities and principles that have been lacking in our trade agenda for far too long. It allows for a critical review and renegotiation of current agreements while ensuring that future ones include and uphold enforceable human rights, labor, and environmental standards, public health and safety, democratic transparency, increased congressional oversight, and the promotion of widespread prosperity at home and abroad.

Any trade expansion should place these principles and priorities at the core of U.S. trade policy.

A notable bipartisan success.

MICHAEL J. BOSKIN
T.M. Friedman Professor of Economics and Hoover Institution Senior Fellow, Stanford University, and Chairman, President's Council of Economic Advisers, 1989–93

NAFTA was launched when Mexican President Salinas sent his chief of staff, Pepe Cordoba, to meet with U.S. Secretary of State Jim Baker and the Chairman of the President's Council of Economic Advisers, me, in Washington. Our motivations, and more importantly, President George H.W. Bush's, in launching NAFTA were several: 1) to harness the economic benefits from freer trade with Mexico, for Americans, Mexicans, and also Canadians; 2) to supplement—not substitute for—the global trade liberalization talks then known as the Uruguay round of GATT, which eventually created the World Trade Organization; and 3) to strengthen political ties in our neighborhood and hemisphere, the latter point underscored by the current tragedy in Venezuela.

NAFTA was always going to create a relatively larger impact on Mexico than on the United States, given the trade and investment flows and the relative sizes of the two economies. While there would be sizeable net benefits for all countries, within each of the countries there would be some disruption and some losers. Episodically since its passage (for which former President Bill Clinton, as with passage of the GATT, ran a brave anchor leg, given opposition to trade expansion in his party), NAFTA has been attacked repeatedly for the alleged harm done to the American economy. While there undoubtedly are specific cases where NAFTA did contribute to economic disruption and dislocation, the proper focus of that is on an effective trade adjustment assistance program. But NAFTA has risen to almost mythological proportions as a metaphor for trade, globalization, the pace of technical change, and ennui for a time of slower change, less innovation, and less disruption but—its decriers ignore—far lower incomes and opportunity for most Americans.

Since NAFTA was passed, manufacturing exports reached an all-time high in 2007, while manufacturing output rose more from 1993–2006 than it had between 1980 and 1993. Also since NAFTA was passed, employment in the United States has increased 24 percent and the average unemployment rate declined, compared to the comparable period prior to NAFTA. Employee business sector real hourly compensation rose twice as fast over the fourteen years since NAFTA was passed compared to the fourteen years prior to NAFTA's passage. Agricultural exports destined for Canada and Mexico have grown substantially since NAFTA was passed. Mexico was the first, second, or third largest export destination for a large number of American exports ranging from beef and soybeans to corn, poultry, eggs, and cotton. Looking more broadly at all three nations, trade among them has tripled since NAFTA was passed. Mexican wages have risen each year since the peso crisis of 1994. And finally, the two bi-national NAFTA environmental institutions have provided nearly $1 billion for 135 environmental infrastructure projects along the U.S.-Mexico border.

In short, it would be hard, on balance, for any objective person to argue that NAFTA has injured the U.S. economy, reduced U.S. wages, destroyed American manufacturing, harmed our agriculture, damaged Mexican labor, failed to expand trade, or worsened the border environment.

NAFTA was a bold step when Jim Baker, Pepe Cordoba, and I suggested that Presidents Bush and Salinas propose it to Canadian Prime Minister Mulroney and launch it in the first place. Despite various issues and problems, on balance it has been a notable bipartisan economic and diplomatic success.

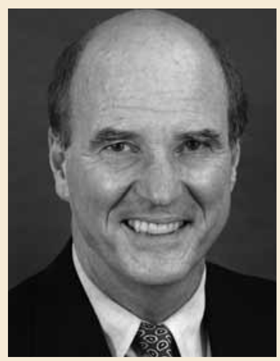
Yes.

RICHARD N. COOPER
Maurits C. Boas Professor of International Economics, Harvard University

Yes, for sure. I am not keen on free trade areas in general, and particularly on the preferential trade agreements that have proliferated in recent years, with their incomplete coverage and significant exceptions that virtually assure that trade is diverted away from more efficient, lower-cost suppliers. But my judgment on NAFTA—especially its more controversial Mexico component—stands out as an exception. Mexico has a long, permanent border with the United States. Americans have a compelling strategic interest in an economically prosperous Mexico, providing employment and increasing standards of living for Mexicans. NAFTA facilitated that in two ways: by committing Mexico to retaining and strengthening many of the liberalizing economic reforms introduced or advanced by President Salinas, and by assuring access for Mexican goods and services to the large and prosperous U.S. market—and through the latter by encouraging investment both by Mexicans and by foreigners that might not otherwise have occurred.

NAFTA has a second merit. Unlike many subsequent preferential trade agreements, it is a comprehensive agreement covering services as well as merchandise trade, and covering agriculture as well as manufactured goods (but, unlike the European Union, it does not provide for the free movement of labor). It allowed for a transition period of up to fifteen years to permit smooth adjustment to its provisions, plenty of time for an economy that is adapting continuously to rapid technical change in any event. In these respects it provided a model for other free trade areas, unhappily not usually followed. In its time, it also facilitated the successful conclusion of the multilateral Uruguay Round of trade negotiations, which however was much less comprehensive in its commitments.

In short, NAFTA played a historic role in consolidating Mexico's economic reforms and in facilitating further liberalization of world trade. It also created and consolidated many trading opportunities for American and Canadian as well as Mexican firms, and improved the well-being of American, Canadian, and Mexican consumers. I would certainly do it again in light of hindsight.



NAFTA didn't deliver.

JEFF FAUX
Distinguished Fellow, Economic Policy Institute, and author of* The Global Class War *(Wiley, 2006)

NAFTA did not deliver as advertised. Supporters promised it would expand the U.S. trade surplus with Mexico (the United States already had a free trade agreement with Canada), generating net new high-paying jobs for American workers. Instead, the surplus turned into a deficit with net job losses. They also promised a long-term Mexican boom that would substantially reduce illegal immigration. Instead, Mexico's continued slow growth, along with a massive NAFTA-inflicted dislocation in Mexican agriculture, has doubled illegal out-migration, creating enormous political problems in the United States. A Mexican government agency forecast last year that desperate, jobless Mexicans will cross the border at the current rate for at least another fifteen years. Whatever gains might have accrued to Americans through lower prices have not been worth these costs.

NAFTA was not so much about "free trade" as it was about facilitating the outsourcing of production for the U.S. market and putting downward pressure on American wages. It gave extraordinary protections to cross-border investors, undercutting the bargaining power of workers and aggravating the misdistribution of income and wealth in all three nations. This was not what Adam Smith had in mind.

The agreement's promoters assured Congress that NAFTA was a strategy for competing against Asia. But then the model was extended to China and the rest of the world before U.S.-based producers and workers were prepared for the competition. This further worsened our trade deficit and drove up our global debt. Today, Mexico and Canada are also hemorrhaging jobs to Asia.

North American economic integration is here to stay, but NAFTA is the wrong framework. Barack and Hillary were right; it's time to renegotiate. The United States and Canada should offer a new deal with Mexico, including continent-wide enforceable social and environmental standards, long-term financial aid for Mexico's crumbing infrastructure, and a common strategy to revitalize eroding North American competitiveness.

Support for free trade is not a knee-jerk "yes."

IRWIN M. STELZER

***Director of Energy Policy Studies, Hudson Institute, and Contributing Editor,* The Weekly Standard**

NAFTA might be the trade deal that has attracted the most attention, but it and other trade agreements are merely subsets of the broader question: is the American policy in favor of free trade appropriate to today's economic circumstances?

The answer to that is not a knee-jerk "yes," nor a protectionist "no." Indeed, given the current state of our knowledge, it is unanswerable. Even Adam Smith argued that restrictions on free trade are appropriate where national security interests are involved, where the disruptions to domestic firms are overwhelming, and where retaliatory protectionist measures might induce trading partners to drop their own protectionist measures. Here is what we need to know.

First, we have to understand whether free trade is the best policy—the one that optimizes consumer and producer welfare—in a world in which a cartel controls oil prices, our trading partners manipulate currencies, state-sponsored entities are the organizations with which our privately owned businesses compete, and there are substantial externalities associated with our decisions as to appropriate trade policy.

Second, we have to figure out how to share the benefits of trade with the losers, especially those who are innocent bystanders—the woman who sewed shirts, sent her kids to school, paid her taxes.

Finally, we must consider trade within the broader context of national security. The massive shift of wealth to nations and regimes that are hostile to our interests, rather than merely to successful private-sector players, makes it an open question whether our current review processes are robust enough to function in the best interests of the nation, broadly construed.

It might well be that after musing about these questions we will decide that NAFTA and similar agreements are indeed in America's interests. My guess is that will be the case. But given the current state of our knowledge, and the excess of heat over light that has characterized trade policy debate, I can't be certain.

NAFTA should be revised.

JAMES K. GALBRAITH

Lloyd M. Bentsen, Jr., Chair in Government and Business Relations, LBJ School of Public Affairs, University of Texas at Austin, and author of* The Predator State: How Conservatives Abandoned the Free Market and Why Liberals Should Too *(Free Press, July 2008)

Virtually alone on the left I supported NAFTA in 1993–94, on two grounds. First, I did not believe that a reduction of U.S. tariffs on manufactured goods from 3 percent to zero, in trade with a country that already had the maquiladora system, would have any effect as such on U.S. jobs. This proved correct: the United States gained jobs, including many very good jobs, in the 1990s, for reasons unrelated to NAFTA. Since then the problems of outsourcing have been linked to China and India, not to Mexico.

Second, I thought the political battle over NAFTA would ensure U.S. responsibility for Mexico's financial fate, in contrast to the disastrous negligence following the 1982 debt crisis. Competent Mexican authorities also believed this and they were right, as the 1995 rescue operation showed.

Should NAFTA be revised now? Yes, on two grounds. First, the Chapter 11 bilateral investment treaty, with its intimation of the regulatory takings doctrine, is an outrageous piece of predatory collusion between the elites of both countries. Second, the agricultural provisions of NAFTA have proved disastrous to Mexico's farmers. They have led directly to large increases in distress migration to Mexico's slums and to the United States. Together with reduction of food subsidies, long supply chains, and the rise of commodity speculation, they now jeopardize basic nutrition for many of Mexico's poor.

Had I anticipated these effects, I would have opposed NAFTA's ratification, but these issues were very far from being at the center of the debates at that time. It is a tragedy that today NAFTA has become a toxic byword for deindustrialization and decay, especially in the American Midwest, when these problems are actually consequences of home-grown policies going back at least to the catastrophic shock therapy of the first Reagan years.

Yes, of course.

WENDY DOBSON
Professor and Director, Institute for International Business, Rotman School of Management, University of Toronto, and former Associate Deputy Minister of Finance, Canada

Of course I would support NAFTA. The outcomes of the negotiations were unquestionably greater openness and reduced barriers, and they encouraged "Think North America" in terms of efficiencies and prosperity and what the three countries (and later Latin America) can achieve together.

What else should have been done? As the Commission on Growth and Development recently observed, openness itself needs protecting. "An international economy in a world of nation-states has no natural guardians." Greater openness causes creative destruction that sustains growth but causes dislocation. The corollary of NAFTA should have been protection for people in each country. In particular, NAFTA and globalization have become lightning rods in the United States for growing anxiety about job losses that leave people without health care and pension benefits. Fixing the health care system and making pensions portable should be top priorities to protect openness of flows of trade, capital, ideas, and people from which we all benefit.

Yes, NAFTA has little to do with concerns over globalization.

GREG MASTEL
Senior Policy Adviser, Akin Gump Strauss Hauer & Feld, and former Chief Democratic International Trade Adviser, Senate Finance Committee, 2000–03

NAFTA was negotiated in 1992. Thinking on trade agreements has evolved in the intervening decade and a half, and the state-of-the-art trade agreement on issues such as investment and labor standards has changed. Certainly controversies—such as the safety of Mexican trucks operating on U.S. highways and lumber imports from Canada—continue to rage. Without a doubt, the United States, Canada, and Mexico could improve upon NAFTA in some areas.

But most of those arguing to revisit the NAFTA seem dedicated to scrapping the agreement, not improving it. Its critics seem more concerned about the challenges of globalization than NAFTA's specific impacts. NAFTA may be a politically convenient whipping boy for concerns over globalization, but the competitive challenges that raise the most concern come from China and India, not Canada and Mexico. And even without NAFTA, the challenges from China and India would still loom large.

In truth, NAFTA was oversold by its advocates. The bar was set so high that no trade agreement could realistically have met the expectations. Beyond that, there are some problems in North American commerce, notably illegal immigration, that have gotten worse and not better since 1992. In some sectors in all three countries, increased competition has brought with it economic pain.

Still, in the three countries combined, NAFTA has seen trade increase by 300 percent and the combined economy grow by 50 percent. Elimination of tariffs has saved consumers billions of dollars and allowed manufacturers, workers, and farmers to benefit from a combined market for their products. NAFTA has also allowed increased business collaboration between Mexican, Canadian, and American companies, which has allowed them to more effectively compete with the rest of the world.

NAFTA is not perfect and some provisions can and should be improved. Problems such as illegal immigration and training for displaced workers demand attention beyond any trade agreement. But NAFTA sets reliable rules for commerce throughout North America. Scrapping NAFTA would hit nearly $1 trillion in combined trade with new tariffs, spark new trade disputes with the first- and third-largest U.S. trading partners, and harm consumers, workers, and companies in all three countries. Most importantly, ending NAFTA would do nearly nothing to address the legitimate concerns over globalization that most North Americans share. Underestimating NAFTA's benefits today would be every bit as serious an error as exaggerating its benefits was in 1992.

Yes, warts and all.

MURRAY WEIDENBAUM

Former chair, President's Council of Economic Advisers, and Mallinckrodt Distinguished University Professor, Washington University in St. Louis

Yes, I would change my mind and support NAFTA. The first time around, I was neutral on the proposed North American Free Trade Agreement. Back then, I believed that both the proponents and opponents were overstating the likely effects, good and bad, on the economy of the United States. Also, I was not enthusiastic about regional trade agreements in contrast to worldwide reductions of barriers to commerce.

However, we now face a world where the United States does not have a plethora of friends. Also, progress on global reductions of trade barriers has been disappointing. Thus, with the benefit of perfect foresight, I would have supported NAFTA, warts and all.

I'd sign NAFTA again in a minute.

WILLIAM E. BROCK

Former U.S. Trade Representative and former U.S. Secretary of Labor

Conceived and initiated under Ronald Reagan, nurtured and developed under George H.W. Bush, finalized and signed under Bill Clinton, NAFTA was not simply an example of bipartisan cooperation and leadership. It was more importantly tangible evidence that leaders of different parties and various political persuasions finally recognized the economic and political imperatives of a global world. In retrospect, the logic of opening the borders of the largest, most dynamic, most productive, and most competitive nation in the world to its two largest trading partners, who also happened to share those borders, seems almost unchallengeable. Unfortunately, in today's supercharged political climate, it apparently is not, so let's recall a bit of history.

Since this agreement was signed, sending a signal to the world that trade was an opportunity to be ignored at our peril, world trade has exploded. Nations around the globe have sought to do likewise, opening their markets to goods, services, investments and ideas. A billion—I say it again—a billion people have come out of poverty.

Millions of better jobs have been created in the United States alone, replacing many times over those affected by gains in productivity, outsourcing, and shifting markets. Trade with our two principal trading partners, Canada and Mexico, has tripled. We are more competitive, our firms more efficient, our workers more productive. We have experienced higher rates of growth, accompanied by huge inflows of job-creating investments, and our people have far more opportunities than before. Global trade, stimulated by creative initiatives like NAFTA, has added a trillion dollars to U.S. GDP. Not a bad day's work.

Was NAFTA perfect? No, but it was a great deal better than the alternative. Were I in a position to sign it again, would I? In a minute.

No, we could have done better.

ANDREW SZAMOSSZEGI
Managing Consultant,
Capital Trade Incorporated

I disagree with current candidate efforts to summon the NAFTA bogeyman. U.S. manufacturing has much bigger problems than Mexico these days.

That said, I would not have supported NAFTA as implemented. The United States was not generous enough with individuals who suffered economic dislocation due to the agreement. Workers harmed by trade agreements with less-developed countries frequently lack the resources to weather economic disruption. I am discomfited by the fact that Washington signed an agreement that caused low-wage U.S. workers to lose jobs but enabled people like me to save ten bucks on a pair of jeans. Studies showing that job losers tend to make less once they are re-employed are hardly reassuring either.

We should have transferred a meaningful share of the gains from NAFTA to the people who initially bore the brunt of liberalization. The government programs in place to handle trade-related job loss, Trade Adjustment Assistance and North American Free Trade Agreement Transitional Adjustment Assistance, disbursed $1.7 billion during 1995 to 2000 on income support, training, job search, and relocation benefits, roughly $3,000 per worker certified for benefits. We could have done better—given a conservative estimate of a $7 billion static net gain from NAFTA (roughly 0.1 percent of 1994 GDP) and even higher gains to U.S. businesses and consumers of imports from Mexico.

Future trade agreements with developing countries, should make some direct link between the estimated gains from trade and payments made for subsequent economic dislocation. Why not supplement the TAA with payments from tariff revenues collected the year prior to implementation and during phase in? This way, the U.S. firms and consumers who benefit directly from liberalization help to directly compensate those who suffer.

NAFTA's been a great success.

STEVE H. HANKE
***Professor of Applied Economics, Johns Hopkins University, Senior Fellow, Cato Institute, and contributing editor,* TIE**

I am not keen on counterfactual. As the philosophers remind us, "contrary-to-fact conditionals" can lead to all sorts of problems, ranging from vagueness to absurdity. In consequence, I will take a pass on the question posed.

That said—and contrary to claims made by organized labor, environmentalists, and those who march to Ross Perot's precepts—NAFTA has been, on balance (gains-costs), a great success. It has increased real incomes, spurred competition and innovation, increased product variety, restrained prices, and generally raised the standard of living.

If either an Obama or a McCain administration meddles with NAFTA, a giant Pandora's box would be opened, confirming the old adage, "If it ain't broke, don't fix it.

Yes.

DONALD H. STRASZHEIM
Vice Chairman, Roth Capital Partners, and former global Chief Economist, Merrill Lynch and Company

NAFTA deserved to be approved in 1994. If it were a new idea today, it would deserve American support today.

The economies of the United States, Mexico, and Canada all have benefited from NAFTA—sharply higher living standards, increased trade, and an enhanced role in demonstrating to the world the shared benefits of free trade. It is clearly more plus than minus to U.S. citizens that Mexico's still-struggling economy has enjoyed widespread urbanization, industrialization, and modernization. The transfer of technology into Mexico has not hurt the United States. The U.S. and Canadian economies continue to grow at roughly their pre-NAFTA rates.

I don't believe that very many U.S. manufacturing jobs are being taken by Mexico. Total U.S. manufacturing employment peaked in June 1979 at 19.6 million jobs. It is now 13.6 million—a decline of 6 million jobs or about 17,000 monthly for almost thirty years. In the 1979–93 pre-NAFTA years, the monthly average job loss was about 16,000. Since NAFTA it has averaged about 18,000, hardly a significant difference. Migration of manufacturing jobs from high-wage to low-wage countries via ever easier technology transfer should continue with or without NAFTA-like agreements.

It would be reasonable for the United States, Canada, and Mexico to revisit NAFTA after all that has occurred since 1994—China's emergence, record-high oil and commodity prices, and the emergence of the environment (and global warming) as key issues. Thoughtful governmental leaders understand that times change—and often in unexpected ways. While accepting that a deal is a deal, those same governmental leaders also need to understand that maintaining their standing in the global community may require some compromise of past positions and hard-won negotiations from time to time.

To me, NAFTA serves as a model for future trade agreements between developed and developing nations. Such high-low income agreements should become even more important as developing nations increasingly serve as the global economy's drivers of growth and change.

NAFTA is outmoded, but we can't start from scratch.

SUSAN ARIEL AARONSON
Research Associate Professor of International Affairs, George Washington University, and author of* Trade Imbalance: The Struggle to Weigh Human Rights in Trade Policymaking *(Cambridge, 2007)

As President, I would take a different tack to the question of renegotiating NAFTA. NAFTA is outmoded, but abrogating the agreement and starting from scratch is not an appropriate response. The United States should not undermine its reliability and commitment to international law simply because an international agreement is unpopular or appears out of date. And in fact, there is an existing mechanism that allows the United States and its neighbors to discuss issues that bedevil continental relations. The North American Security and Prosperity Partnership was launched in 2005. It is designed to facilitate the exchange of information, and in particular address problems related to North American competitiveness, food safety, the environment and sustainable energy, and smart and secure borders. The mechanism does, however, need some rethinking. I would find ways to involve Congress in deliberations, and make sure that ministerials resolve ongoing issues of concern.

But I would also recognize that demands to renegotiate NAFTA stem from misunderstanding of what trade agreements do and how they affect Americans and America. The President must do a better job of explaining why the United States participates in and negotiates so many trade agreements, what these trade agreements do, and how they affect American citizens. Trade agreements such as NAFTA regulate how and when governments can apply protectionist tools—either traditional border measures like tariffs or newer measures like health and safety or environmental regulations. We need to work with Mexicans and Canadians to ensure that the North American economy works efficiently and equitably and that means we need to find common ground on many such regulations. But the President should also plan to use his bully pulpit to help Americans better understand how they benefit from trade agreements such as NAFTA.

NAFTA was oversold.

MICHAEL LIND
Whitehead Senior Fellow, New America Foundation, and author of **The American Way of Strategy** *(Oxford University Press, 2006)*

Populist demagogues have turned NAFTA into a scapegoat for many ills which it did not cause, from outsourcing to Asia and technology-driven job displacement to the stagnation of wages as a result of the erosion of the minimum wage by inflation and corporate America's success in smashing private-sector unions. Even so, NAFTA was oversold by its proponents and by their own standards has been a failure. NAFTA was supposed to produce a wave of U.S. manufactured exports to an allegedly untapped Mexican consumer market; instead, many U.S. firms shifted production to Mexico, as critics like Ross Perot and Pat Choate predicted. And NAFTA, by stimulating the Mexican economy, was supposed to reduce the flood of unskilled immigrants, legal and illegal, that continues to inundate the United States, driving down wages at the bottom and permitting exploitative employers to violate U.S. immigration, workplace, and national security laws.

At the time of its passage, some critics of NAFTA proposed a more sensible alternative: the foundation of a North American economic community. Just as Spain and Portugal were gradually integrated into the European Union with the aid of subsidies, so Mexico and the nations of the Caribbean and Central America would be integrated into a North American common market over time, not all at once. That was and is a good idea.

A North American Union (NAU) should not be a federation, of the kind dreamed of by Eurofederalists and feared by American nativists who recoil from the sacrifice of American sovereignty. Nor should there be a free market in North American labor. Opening the U.S.-Mexican border would depress American wages and destroy public support for the welfare state, while guest-worker programs are incompatible with the American ideal of a single-tier labor market consisting of free and equal citizen-workers. But even a limited North American Union could provide for a common continental communications, transportation, and energy infrastructure and perhaps a common currency—an amero?—as well. It goes without saying, to be sure, that the nativists who hate NAFTA would hate even the most limited and modest NAU much more.

Without NAFTA, the United States would be the loser.

MARINA V.N. WHITMAN
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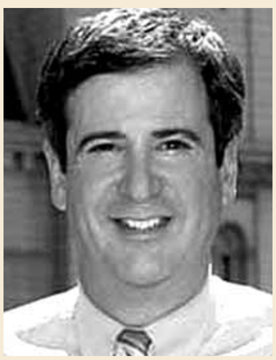
The answer is yes. NAFTA has achieved most of what its signatories had in mind. It has dismantled barriers to trade and investment, institutionalized Mexico's market-oriented reforms, and improved our often sour relationship with our southern neighbor. U.S. goods-and-services trade with Canada and Mexico has tripled; these countries have been our most important trading partners and our largest sources of energy imports.

Nor has NAFTA been a significant cause of the ills of which it is accused. Between 1993 and 2006, U.S. employment has grown by 25 percent and manufacturing output by 63 percent—so much for the giant sucking sound. The overwhelming reason for the growth of our trade deficits with Canada and Mexico is not NAFTA but the huge increase in the world price of petroleum. We could reduce those bilateral deficits by buying more of our oil from Saudi Arabia or Venezuela, but would that be a good idea? A U.S. recession would significantly shrink both these trade deficits and the influx of immigrants from Mexico—indeed, that may already be happening—but nobody wants such a solution. And yes, the income gap between people with a lot of education and those with little has widened painfully. The main cause of that increased inequality is technology, not trade, but the solution is not to turn back the clock on innovation.

NAFTA is even more important as a symbol of the face we present to the world, and to ourselves. Are we open to economic interaction with the world and collaboration with our closest neighbors, or do we hunker down and build walls? Do we welcome increased productivity and prosperity in other countries, or fear it? At a time when we urgently need to restore our nation's battered reputation, insisting on reopening a treaty that all three parties signed in good faith would be a terrible start.

If NAFTA were being negotiated now, of course all three signatories would want some provisions to read differently. And we might be readier to support domestic policy measures that would lessen the costs to those who have been dislocated by the changes it has stimulated. But if the President were to repudiate the NAFTA of 1993 in 2008, our nation would be the loser.



There needs to be a broader commitment to help workers.

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It's surely as difficult for an economist to think like a President, as it would be for a President to think like an economist. Nonetheless, on this question, two points seem beyond debate. First, we should gladly embrace the general project, because even on its limited scale, NAFTA promoted many of the core dynamics of modern globalization. It expedited not only transfers of advanced business organizations to a developing economy, but also the expansion of that economy as a new market for the United States and the flow of low-cost exports to the United States. In these respects, NAFTA probably contributed to economic well-being here and in Mexico, although analysis by the World Bank suggests that these positive effects, at best, have been very modest.

An inability to adjust to new developments being a hallmark of most failed presidencies, any sensible president also would make appropriate adjustments in NAFTA. The Federal Reserve Bank of Boston, for example, found that NAFTA caused a more rapid decline in jobs in the U.S. apparel industry. There also is evidence that it intensified competition in several areas of U.S. manufacturing from Mexican or Mexico-based producers, constraining U.S. wage increases in those areas. Finally, a number of analysts have found that U.S. competition has undermined some parts of Mexican agriculture, contributing to greater illegal immigration.

The right position for a president facing an agreement such as NAFTA today—or facing Doha or free-trade agreements with Colombia, South Korea, or others—is to advance their approval as part of a broader commitment to help American workers prosper under the terms of globalization. For example, globalization is accelerating the U.S. evolution to an idea-based economy. So the President and Congress should conclude new trade agreements with developing nations, as they also ensure that all American workers have access at no cost to the training required to work in an information technology-dense workplace.

Just as important, before approving new trade agreements, the President and Congress need to finally buckle down to serious health care and energy policy reforms, to help relieve some of the heavy cost pressures on the wages of workers in businesses operating under intense global competition.