

EDITORIAL/OPINION

A Game Plan for Saving Nafta

By STEVE CHARNOVITZ

In September 1990, President Bush sent a formal notification to the Congress that he intended to negotiate a free-trade agreement with Mexico and possibly Canada. Four words that did not appear in the president's letter were jobs, employment, labor and environment. Yet three years later, the pending agreement is tripped up on just these matters.

At some point, there ought to be an examination of how the North American free-trade agreement got into this predicament. But right now, the important issue is what can be done to boost Nafta. Here are a few suggestions.

For starters, it is no coincidence that the public officials who favor Nafta, including President Clinton and 43 state governors, have large constituencies; meanwhile, the officials who oppose the trade agreement, mainly in the U.S. House of Representatives, have smaller ones. Intense opposition will always resonate louder in a small district.

If the numerous House members now sitting on the fence are going to support the Nafta, they need a better reason than the utilitarian view that more jobs will be created than lost. It's easy for a president to take this approach because his "district" is so large. But a House member needs something specific to point to — like a retraining program — for constituents worried about jobs moving to Mexico.

Federal retraining programs for dislocated workers began in the early 1960s. For 30 years, these past initiatives have been unsuccessful or disappointing. A recent study by the Congressional Budget Office reached the troubling conclusion that "despite widespread support for retraining displaced workers, very little is known about the effectiveness of the current national programs in increasing the earnings of their participants."

The Clinton Labor Department has been incubating a new worker adjustment program for nine months. The administration an-

nounced an 18-month retraining program on Tuesday for workers hurt by Nafta; it is intended to serve as a bridge until a comprehensive assistance effort for all workers is ready in July 1995. But the precise details of the benefit package, the delivery system and the funding source have not yet been worked out. The administration seems to be asking wavering House members to vote for Nafta this year on the promise that worker retraining programs will be reformed next year. It is ironic that an administration so committed to "Putting People First" would leave worker adjustment to the very end of the Nafta process.

Second, our national leaders should tell the public the shocking truth about trade. Trade is desirable because people gain from specialization. Exports are good, of course, but so are imports. No family, city, state or nation can enrich itself by abstaining from commerce.

Given this basic reality, the administration should stop using the bilateral trade surplus with Mexico as justification for the Nafta. If it is a trade surplus that warrants im-

port liberalization, then how are we going to convince the American public of the merits of a Uruguay Round world trade agreement given the large U.S. global trade deficit? Memo to U.S. Trade Representative speech writers: Don't stop thinking about tomorrow!

Third, the White House should douse its overheated rhetoric about the job creation potential of the Nafta. Free trade has many positive economic benefits, but large-scale job creation is not necessarily one of them, particularly in the short run. Instead, the administration should pay closer attention to the few levers it has that do connect to job creation (or more accurately job destruction) — namely, federal payroll taxes and employer mandates.

The administration should also make sure the federal government has sufficient budget resources to fund the public investments in infrastructure, education and scientific research needed to raise worker productivity.

Fourth, the administration should stop claiming that passing Nafta will reduce immigration from Mexi-

co. One problem is that this claim is untrue in the short run, as demonstrated in a recent study by Phillip L. Martin, an economics professor at the University of California. But the larger problem is that using this rationale for Nafta validates the dangerous nativism brewing in the United States. Unfortunately, the Bush administration failed to use Nafta as an opportunity to encourage a nascent North American identity. The new side agreements seem to reinforce the "us" vs. "them" mentality.

Finally, the pro-Nafta lobby should drop the scare tactics about what would happen in Mexico if Nafta fails. There would be no reason for Mexico to raise its tariffs or punish U.S. companies or drop its promising environmental initiatives. Indeed, if Mexico announced that it would undertake many Nafta commitments unilaterally, it might avoid a hard landing should Nafta fail.

In view of the delicate political situation in Mexico, Nafta advocates in this country should be careful not to make it harder for the Mexicans by postulating negative, and possibly self-fulfilling, scenarios. Mexico ought not be angry at the United States if Nafta is defeated. Rather Mexico should take pity on our collective insecurity.

The widespread uneasiness about Nafta in the United States cannot be reversed over the next 30 days. President Clinton will have to ask the American people to let Nafta go forward despite their misgivings. It might be useful if the three countries would make a joint commitment to improve the Nafta in its labor and environmental dimensions. President Clinton should also conduct a national teach-in to explain the benefits of free trade to the average family. Why not point to all those costly trade barriers and say, "It's time for them to go."

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