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## AFTER NAFTA, WHAT NOW? IMPLICATIONS OF THE NAFTA DEBATE FOR FUTURE US TRADE AGREEMENTS

Soon after the US House of Representatives approved the North American Free Trade Agreement by a vote of 234 to 200, US President Clinton made the following statement:

*One thing is clear, by taking the courageous step of opening trade in our own hemisphere we have the economic, the political and the moral standing to make the case that that ought to be done throughout the world, that America is serious about lowering trade barriers and promoting growth in our country and throughout the globe.*

A close examination, however, reveals that the decisive issue in the struggle over NAFTA was not free trade, but expensive deals. The true implications of NAFTA for the future of US trade policy are far from clear and depend on how a number of contradictions and unanswered questions are resolved.

While NAFTA's failure would have foreshadowed serious difficulties for the successful resolution to the Uruguay Round of General Agreement on Tariffs and Trade (GATT) talks, NAFTA's passage does not necessarily mean smooth sailing for GATT. In fact, some of the deals Clinton offered legislators in exchange for "yes" votes on NAFTA directly contradict current GATT proposals. For example, Clinton agreed to extend the phase-out period on the Multi-fibre Arrangement from 10 to 15 years. This would violate the Dunkel draft text and could prompt India and Pakistan to withdraw from GATT negotiations. In addition, Clinton's promise to limit GATT tariff cuts to 15% for tomatoes, bell peppers, head lettuce, cucumbers, celery and sweet corn vegetables is likely to anger Brazil and other Latin American nations that have been counting on cuts ranging from 15 to 100%.

In another deal that directly contradicts NAFTA's stated free trade aims, the administration offered to re-impose restrictions on Canadian wheat. Clinton also obtained promises from Mexico that essentially re-write the sugar provisions in the NAFTA text, drastically limiting Mexico's ability to export sugar to the US. It is ironic that what took months to hammer out in official negotiations was negotiated away in backroom deals in a matter of a week.

The deals Clinton made to achieve NAFTA's approval will affect other US-Latin American trade arrangements as well. For example, the administration issued assurances that no new countries would be allowed benefits under the Caribbean Basin Initiative (CBI) if their entrance would adversely affect the Florida fruit and vegetable industry. US Trade Representative Mickey Kantor also said he would ask Clinton to leave a number of vegetables off the list of products designated for duty-free entry to the US under the Generalized System of Preferences (GSP). This would remove an important source of hard currency earnings for countries that, under pressure from US and multilateral lending agencies, have increasingly shifted their agricultural production to these non-traditional exports.

It is important to note that the agriculture deals cut by Clinton do not signal any long-term commitment to US farmers. Instead, they were the tools of political expediency and could be just as easily undercut at some point when the affected sectors have less political clout.

The deals do, however, send important signals to other countries considering free trade agreements with the US. The Clinton administration appears perfectly willing to liberalize investment and open new markets for US companies, but its trade partners have no guarantees that they will get what they pay for in terms of market access. It will be interesting to see what special provisions will be attached if Chile and Argentina are indeed added to NAFTA as planned.

Domestic political factors impacting the outcome of future US trade policy decisions include the manner in which Clinton's vote collecting deals are fulfilled and the future behavior of the constituencies activated by the NAFTA debate.

The deals Clinton made could end up causing him serious political damage whether or not they are fulfilled. If the promises are fulfilled, billions of dollars will be required to pay for, among other things, the manufacture of two extra C-16 military transport planes in one key district, despite evidence that they are mechanically unfit to fly. This could very well arouse tax-payer resentment and sour the public on future trade liberalizing initiatives. Ironically, the staunchest Republican supporters of NAFTA are the same legislators who tend to be the least willing to raise taxes. Without higher taxes, the only alternatives would be to cut spending on social programs or scrap the deals. If the deals are not fulfilled, however, Clinton faces the likelihood of making serious enemies in Congress and undermining his ability to pass future legislation.

Although the Clinton administration tended to characterize Ross Perot as the leader of the NAFTA opposition, the campaign was much more broadly based. Perot in fact came relatively lately to the cause, and was only peripherally involved in the diverse coalition of interests that carried the fight from beginning to end. Labor unions, environmentalists, small farmers, social justice activists, women's organizations and church groups joined forces in an effort that very nearly overcame the more traditional trade policy players supporting NAFTA. These constituencies, strengthened by the discovery of common interests and links forged across national boundaries, can be expected to continue their newfound scrutiny of economic integration. They cannot be discounted in considering future trade policy debates, a development that could pose serious hurdles to corporate-backed liberalization schemes and increasingly inject social and environmental concerns into international economic policy.

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