
The rising tide of protectionism in the United States

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MANY observers outside the United States expressed concerns about the “Buy American” provision in the supersized “stimulus” package recently passed by Congress. For instance, a European Commission spokesman called the provision the “worst possible signal” and warned that it could have forced the European Union to “take it up with the World Trade Organization” (*BBC News*, 2009, Feb. 3). However, fears of a trade war were tempered by a compromise that kept the “Buy American” language but added an important caveat requiring that the measure be “applied in a manner consistent with US obligations under international agreements” (*Reuters*, 2009, Feb. 12).

In other words, the revised version shields existing trade agreements from the encroaching shadows of protectionism—for now.

Rejecting CFTA

CANADIAN Trade Minister Stockwell Day called the compromise “a great step forward” (*Toronto Star*, 2009, Feb. 9). Similarly, Japanese Cabinet Secretary Takeo Kawamura said Tokyo welcomed the compromise, but added that his government would “keep a close eye” on the situation on Capitol Hill, given that “the whole process leading up to this bill appeared to be rooted in protectionism” (*Reuters*, 2009, Feb. 12).

Indeed, it could have been worse, but the re-emergence of American protectionism should not be surprising to anyone who has been watching American politics.

“Our consensus to advance international trade is frayed,” as US Senator Max Baucus recently observed. “Our faith in the international trading system is badly shaken” (Faiola, 2009, Mar. 10).

The protectionist instinct is powerful among those who constitute much of the leadership of the current Congress and

approve a revamped version of CFTA (O’Donnell, 2009, Mar. 2).

Noting that the Colombian government “has increased democratic reforms ... taken on the insurgency ... [and] is moving that country forward economically and politically,” Canadian Prime Minister Stephen Harper admit-

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the Obama administration. If a free-trade scorecard compiled by the Cato Institute is any indication, many key congressional leaders are more inclined toward erecting trade barriers than promoting free trade (see www.freetrade.org/congress).

This sentiment was apparent during the debate over the Colombia Free Trade Agreement (CFTA), which the George W. Bush administration concluded in 2006. But the agreement has languished due to obstruction by members of Congress. Then-Senator Barack Obama was one of several senators who ardently opposed the trade deal with Colombia. Then-Senator Hillary Clinton was another, vowing to “do everything I can to urge Congress to reject the Colombia Free Trade Agreement” (*Los Angeles Times*, 2008, Apr. 9).

Allowing Colombia to dangle in the wind has not served anyone’s interests, except perhaps Europe’s. While the candidates pandered and Congress shrugged, the EU saw an opportunity and may finalize its own free-trade deal with Colombia before Washington can

ted to lobbying his American counterpart to move forward on CFTA. “If you don’t support your friends,” he warned, “you are not going to have many friends” (O’Grady, 2009, Feb. 28).

“Fixing” NAFTA

SINCE governing is different from—and more difficult than—campaigning, perhaps the Obama administration will come around to Ottawa’s commonsense view on CFTA. If so, the new president will have traveled a great distance. After all, the pro-barrier view was on full display throughout the 2008 presidential campaign.

During his campaign, Obama voiced his opposition to a free-trade agreement with South Korea. “If South Korea is selling hundreds of thousands of cars to the United States and we can only sell less than 5,000 in South Korea, something is wrong,” he said in 2008 (Montopoli, 2008, June 20). Likewise, while campaigning to be the Democratic nominee

for president, Hillary Clinton, who is now secretary of state, called the Korea-US Free Trade Agreement “inherently unfair” (Wolf, 2007, June 9).

Candidate Clinton used NAFTA as a piñata, lauding its passage during her husband’s administration, but later saying on the campaign trail, “I’ve long been a critic of the shortcomings of NAFTA” (Fouhy, 2008, Feb. 19).

Candidate Obama also criticized NAFTA early and often. “We can’t keep passing unfair trade deals like NAFTA that put special interests over workers’ interests,” the would-be president said in early 2008 (Montopoli, 2008, June 20). He also called NAFTA “an enormous problem” (On the Issues, 2008). Meanwhile, on his campaign website he declared that “NAFTA and its potential were oversold to the American people,” and promised “to fix NAFTA so that it works for American workers” (Obama and Biden, 2008).

At the same time, his staff sent back-channel messages to Canadian leaders that his comments on NAFTA were little more than political posturing (Goldstein, 2008, Mar. 4).

Tapping into fear

It would be wrong to conclude that all of this was simply a function of campaign-season pandering. A 2004 Fraser Institute survey of Canadian exporters found that 95% of respondents “believe protectionist sentiment is growing in the United States,” with 68% saying that the “protectionist sentiment in the United States has already negatively affected their ability to sell into the United States” (McMahon and Curtis, 2004).

That survey, it pays to recall, was conducted when economic times were relatively good and the political environment was calm, which brings us to the American public.

Whether during the back-and-forth of the campaign or in the fine print of

the stimulus bill, American politicians are responding, to a great extent, to what their constituents are feeling. A 2008 CNN poll found that 51% of respondents view foreign trade as a threat to the US economy, up from 45% a year earlier. Likewise, a Pew/Council on Foreign Relations poll found that only 35% of Americans believe agreements like NAFTA are good for the United States. And a poll conducted by *The Los Angeles Times/Bloomberg News* reveals that 50% of Americans believe international trade has hurt the economy, while only 26% say it has helped the economy.

The facts say otherwise. After all, NAFTA has helped generate 26 million jobs in the United States, and “more than 57 million Americans are employed by firms that engage in international trade” (Markheim, 2008). However, the age-old impulse to turn inward when times get tough is a powerful force. As Prime Minister Harper warns, “There will be substantial political pressure, especially as the recession continues in all major countries, whether developing or developed, to widen protectionism as a way of responding.” A cycle of protectionist salvos, according to Harper, will “make this recession far deeper and far longer than it would be otherwise” (O’Grady, 2009, Feb. 28).

Given the economic contraction and convulsion now underway—America’s unemployment rate is 8% and rising, the US economy is expected to shrink by 1.5% this year, and the Dow has shed half its gains since 2007—it seems unlikely that the protectionist impulse in the United States will subside anytime soon.

Politicians are adept at tapping into these feelings of fear. Statesmen, on the other hand, resist them and remind the public about the benefits of trade and about how protectionism in one country triggers protectionism in another.

The statesmen in Washington, Ottawa, and other capitals have their work cut out for them in the months and years ahead.

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