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More NAFTA talks pointless

Editorial

IF THERE WAS ANYTHING more ludicrous than the Trump administration's claim that hefty tariffs against steel and aluminum products from its allies were needed for U.S. ?national security,? it was the follow-up demand that a renegotiated North American Free Trade Agreement (NAFTA) must have a five-year ?sunset clause.?

The tariffs were imposed (in obvious, flagrant violation of NAFTA) solely because Donald Trump figures he can win any global trade war. As for the sunset clause, as Prime Minister Justin Trudeau pointed out in an ABC interview, it would guarantee that no foreign investor would invest in Canada knowing that in five years the country could face an array of new U.S. tariff walls.

Perhaps the most curious thing is that Trump & Co. would see any benefit to the U.S. from such a clause, when it can already impose tariffs on anything that had even the remotest connection to ?national security.?

In the circumstances, the best thing Canada and Mexico can do is advise the protectionist regime in Washington that there is no point in holding any further NAFTA talks, and leave it to Mr. Trump to tear up the agreement and impose a wide range of new tariffs as part of his plan to ?make America great again.?

Bad as such an event might be, it would at least set the stage for a world-wide second Great Depression, confirming a prediction last Thursday by U.S. senator Ben Sasse, a Nebraska Republican who calls the steel and aluminum tariffs ?dumb.?

?Europe, Canada, and Mexico are not China, and you don't treat allies the same way you treat opponents. We've been down this road before ? blanket protectionism is a big part of why America had a Great Depression. ?Make America Great Again' shouldn't mean ?Make America 1929 Again.' ?

In fact, back in 1930, about six months after the 1929 stock market crash, a Republican-controlled House of Representatives passed the Hawley-Smoot Tariff Act, which raised tariffs on manufactured imports as much as 40 per cent. The tariffs led other countries to retaliate with high tariffs of their own, Canada establishing preferential trade with Great Britain and other countries as an alternative to U.S. imports.

Douglas Irwin, a Dartmouth College economist and author of Peddling Protectionism: Smoot-Hawley and the Great Depression and Trade Policy Disaster: Lessons from the 1930s, said the U.S. tariffs were imposed mainly for domestic political reasons.

?Other countries also used trade restrictions and protectionism as beggar-thy-neighbor policies to help their domestic economies during the worldwide slump,? he said. The problem was that ?if every country tries this strategy, everyone is worse off since one country's imports are another country's exports. World trade reduced significantly, and since trade barriers are easy to impose and hard to relax, the problem festered for some time.?

It wasn't until 1933 that the downward spiral started to ease, when President Franklin D. Roosevelt, a committed opponent of the Smoot-Hawley tariffs, took office.

As we see it, the best hope for the world is that in 2020 the U.S. electorate will finally toss out Trumpism and elect someone who sees free trade as not only fair but a benefit to all nations.

Meanwhile, Canada's best course will involve boosting trade with Europe and Asia, via the Comprehensive Economic and Trade Agreement (CETA), a free-trade agreement between Canada, the European Union and its member states that has already eliminated 98% of the tariffs between Canada and the EU, and TPP, the 11-country Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

The government's actions should also include changes in labeling laws that would better inform Canadians as to the source of everything they purchase, as part of a ?don't buy American' campaign.