

In its issue of September 1993, Harpers Magazine published a confidential memo sent to the White House on the subject of the North American Free Trade Agreement. The author of the memo, Jeff Faux, is an economist who has worked in the departments of State, Commerce and Labor. He was an unofficial advisor to the Clinton campaign for the presidency.

The Politics of NAFTA

By Jeff Faux

[The memo is addressed to Joan Baggett, Paul Begala, James Carville, Rahm Emanuel, Stanley Greenberg, Frank Greer, George Stephanopoulos and David Wilhem.]

The international-trade people in the administration are steering the President off a political cliff. By now it should be obvious that NAFTA is not popular among voters. The more they are aware of it, the less they like it. Ditto in the House of Representatives.

The people in the administration handling this are out of touch. The claim by [U.S. Trade Representative Mickey] Kantor that not passing NAFTA will cost 5, jobs is absurd. Other than the ideologically committed, no one -- especially in the press -- believes it. But because there is apparently no one of stature within the administration who is challenging these assumptions, the people in Trade, State, Treasury, etc., are simply reinforcing one another. As a result, they are dealing the President only half a deck.

Economics aside, this is clearly a political loser, big time. Consider:

1. NAFTA makes no sense to most people and undercuts the image of a President concerned about jobs for Americans. Everything we know about politics over the last twenty years tells us that a Democratic president must have the populist advantage on jobs and growth issues to offset the discomfort that many ordinary people feel with a social agenda that to them seems to emphasize gay rights and political correctness.
2. Right now, no one is "responsible" for jobs lost due to investments that move across the border. But the President is making NAFTA his program. and after it passes, Bill Clinton will be blamed for every factory that closes down, whether NAFTA was the cause or not. That is exactly what happened to [former prime minister Brian] Mulroney in Canada.
3. Most forecasters already expect anemic job growth next year as a result of deficit reduction and a still lackluster economy. There will be job fallout from defense cuts. And more corporate downsizing. Add an energy tax. Does the President need any more of a burden on the jobs issue to

carry into '94 or '96?

4. This will be a very tough fight -- with Democrats! It will divide the party and leave scars. If the President pushes this and wins, there will be Democratic districts where he will not be welcome. If he pushes it and loses, he'll have a double defeat -- in the Congress and with the voters.

5. Implicit in the White House's present NAFTA strategy is that the President will go out there and try to overcome the deep-seated doubts that average American has about the agreement. This will require him to expend an enormous amount of goodwill and political capital to clean up George Bush's mess. Aren't there more important things to spend it on?

6. Perot could do real damage on NAFTA. His criticism on the budget resonates mostly with a conservative business constituency that will never vote for Bill Clinton anyway. But on NAFTA, Perot can connect with a lower-middle-class and working-class constituency, putting Clinton on the wrong side of the jobs issue. (Skepticism about free trade is one area where Clinton and Perot voters were similar in the exit polls. If these are the swing voters, why turn this strength into weakness? As a democratic congressman said to me last week, "People in my district are beginning to say that Clinton's giving away out tax money to the Russians and now he wants to give our jobs to the Mexicans." Imagine hearing that one a few million times on talk radio.

7. When the debate gets going, the issue of Mexican money buying access and influence in Washington will resurface. The media already have some suspicions about the influence of the lobbyist crowd in this administration. This could hand Perot another issue: corruption in Washington.

8. You can't trust you "allies" on this. You can't control [Mexican President Carlos] Salinas. and there is some evidence that some of the big business community will not go to the mat on this. These people do not like controversy. Bill Clinton could end up a little lonely out there.

9. The absence of Republican resistance to NAFTA is deceptive. Some Republicans will peel off on the NAFTA vote now that Bush is gone. More important, at the local level, rightwing populist Republicans (helped by the Christian right) will be shameless about exploiting NAFTA to portray the President as the friend of everyone but the average American.

What to do? I suppose the President is in too deep to pull out suddenly. But he can begin to extricate himself by sticking

to his earlier demands that tough side agreements be negotiated with high standards and strict enforcement, including trade sanctions. The deal they are negotiating now has no teeth, and everyone knows it.

An agreement with teeth may or may not be acceptable to the Mexicans. But at any rate, it will take time to negotiate and thoroughly vet the side agreements with people outside the pro-NAFTA circles in the administration. The whole process should be slowed down. It is crazy to be rushing this. The current timetable protects the political interests of Carlos Salinas. But the political risk will be taken by Bill Clinton. There is no good reason for the President to hurry. Sure, Salinas will huff and puff, and his friends at the editorial pages of the Washington Post and the New York Times will moan that this is the end of Western civilization. But a few critical editorials are a small price to pay in order to avoid a big problem.

My case does not rest on the notion that NAFTA or foreign trade, per se, is a salient issue. But jobs are. And you can't talk most working people out of their view that NAFTA is anti-jobs.

One step that can be taken now is to give someone in the White House the responsibility for designing a plan to back out of NAFTA. Call it contingency planning. But it is crucial that there be an alternative strategy when this hits the fan. And it will.

I write this as someone who is committed to Bill Clinton's success. It would be tragic if the White House were to absorb big-time damage here because people in the administration are more worried about the political fortunes of the President to Mexico than they are about the political fortunes of the President of the United States. ■