Killing Nafta Would Ruin American Farmers

And given how many live in red states, it would doom the GOP in the 2018 elections.

By Karl Rove

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In a Wall Street Journal interview last week, President Trump said if he were to “terminate” the North American Free Trade Agreement, it “would be frankly a positive for our country.”

This bluster could be a negotiating ploy before the next trilateral Nafta talks, set for Jan. 28 in Montreal. If not, Mr. Trump should stop threatening. Withdrawing from Nafta would immediately kill American jobs, while handing Democrats the midterm elections on a silver platter.

In 1980 President Carter demolished farm counties with his embargo on grain sales to the Soviet Union. This was bad politics and bad policy, but at least he was trying to punish an adversary. If Mr. Trump kills Nafta, he’d be damaging red states to undermine allies.

Nafta is especially important to American farmers and ranchers. U.S. agricultural exports to Mexico and Canada were $8.9 billion in 1993, before the agreement kicked in. Today, they are $39 billion, accounting for 30% of America’s farm exports.

These exports are critical in many states with key elections this year. In North Dakota, which Mr. Trump won by 36 points, Republicans want to flip the Senate seat held by Democrat Heidi Heitkamp. But the state’s commerce commissioner, Jay Schuler, says North Dakota exports 84% of its crops—worth $3.5 billion—to Mexico and Canada. Withdrawing from Nafta would subject those products to high foreign tariffs in force before the deal took effect, leaving farm families very unhappy.
Republicans also hope to flip Senate seats in Missouri and Indiana, both of which Mr. Trump carried by 19 points. The GOP is fighting to keep governorships in Iowa and Kansas, which the president won by 9 points and 21 points, respectively.

These campaigns will be much more difficult if farm economies are ruined by Nafta termination. Missouri is a major producer of corn, soybeans, beef and turkey; Indiana of corn and soybeans; Iowa of corn, soybeans and pork; and Kansas of wheat, corn and beef. Much of this is exported to Mexico. If the U.S. pulled out of Nafta, Mexican tariffs would snap back to 75% on American chickens, high-fructose corn syrup and potatoes, 45% on turkey, and 25% on beef.

As former North Dakota Gov. Jack Dalrymple, himself a farmer, points out, it takes a long time to develop foreign customer relationships. Once disrupted, those agricultural markets wouldn’t come back quickly. People in farming would know who to blame.

Then there are the car-making states. In the almost quarter-century since Nafta went into effect, the U.S. auto industry has built a hemispheric supply chain to help it compete with European and Asian auto makers.

Indiana, Michigan, Ohio and Tennessee each have important Senate races, and all but Indiana have governor’s contests, too. In each of those states, at least 9% of the workforce is tied to autos, and in Michigan the figure is 20%. Their exports of cars and auto parts range from $5.9 billion in Tennessee to $26 billion in Michigan.

If Mr. Trump made good on his Nafta threat, he would disrupt the auto industry’s supply chain, making American-made cars more expensive at home and less competitive abroad. Does he really want to blow up these states’ economies—along with those of roughly a dozen other states with auto production (including Missouri, Pennsylvania and West Virginia)?

I haven’t even gotten to the crucial elections in border states like Texas and Arizona, which are important way stations for trade with Mexico and whose economies would face major difficulties if Nafta disappears.
In discussing Nafta, Mr. Trump keeps getting his numbers wrong. Last week he declared that the U.S. has a $71 billion trade deficit with Mexico and “we lose $17 billion with Canada.” Actually, after counting sales of goods and services, the trade deficit with Mexico in 2016 was just $55.6 billion. With Canada, the U.S. ran a $12.5 billion surplus.

Does Mr. Trump ignore the U.S. advantage in services—everything from insurance to banking to logistics—because it undermines his anti-Nafta case? Or, despite coming from the service industry himself, does he think service jobs are less worthy than manufacturing ones? Try defending that proposition to employees at Travelers (a big insurance player in Canada) or FedEx and UPS (which provide logistics and shipping there) or Wal-Mart (Mexico’s largest retailer) or MetLife (which insures 78% of Mexican government employees) or Citibank (which owns Mexico’s second-biggest bank).

Any trade agreement that is two decades old needs updating. Nafta is no exception, especially given the growth of e-commerce and the digital economy. But bad policy is bad politics. Killing Nafta would damage Republicans in agricultural, auto and border states and help elect more Democrats in 2018, strengthening the party’s impeachment efforts. Mr. President, it isn’t worth it.

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