AMERICANS FOR FARMERS & FAMILIES
STRONG FARMING MEANS JOBS

In Case You Missed It

Exiting NAFTA Would Hurt Michigan

Edward R. Hamberger
February 6, 2018
The Detroit News

Political leaders from the U.S., Canada and Mexico recently concluded the latest round of negotiations regarding the North American Free Trade Agreement (NAFTA), and there is unfortunately a distinct possibility that the critical pact will be terminated.

NAFTA has had unparalleled success in expanding economic opportunity for vital U.S. economic sectors, particularly the automobile, agriculture and manufacturing industries in Michigan. The 23-year-old trilateral agreement should not deteriorate in the worthwhile process of modernizing it. Privately owned freight railroads — a primary means for bringing goods to and from Canada and Mexico — will do its part alongside the overwhelming majority of the business community to maintain today's integrated North American economy.

The evidence is clear: Nearly 14 million jobs depend on trade with Canada and Mexico while more than $3.3 billion in trade occurs between the countries per day. A 2016 report from the U.S. International Trade Commission found that bilateral and regional trade deals like NAFTA save at least $13 billion in tariffs annually, massive savings enjoyed by American consumers.

The impact of the trade agreement, which allows the free flow of goods largely tariff free, is perhaps most pronounced regionally and in states — especially Michigan. According to the U.S. Chamber, a NAFTA-less economy would jeopardize a staggering 366,000 jobs in the Wolverine State. At the same time, economic analysis shows that no other state's Gross Domestic Product depends on trade as much as Michigan. This trade is most clearly defined by the 65 percent of the state's exports moving to Canada and Mexico. Only Texas and California, more populous states, export more in dollar amounts than Michigan, which earns $35 billion a year in North American trade.

Michigan's participation in trade across the continent of course centers most on the state's storied automobile sector, which private railroads spur by moving 75 percent of all finished autos. Yet it also includes the movement of auto parts across borders, as the production process of a car finished in Detroit can involve as many as seven cross border movements, most if not all of which are facilitated by railroads. Chrysler's recent decision to move Ram heavy-duty production to Detroit is in many ways validation that the current system is working well.

Yet so too is the boom of America's agricultural sector since the formation of NAFTA. Farmers exported nearly $43 billion worth of goods to NAFTA partners in 2016 — a 450 percent increase since 1993. New analysis finds that Michigan exports $2.8 billion in food and agricultural products annually, with $1.2 billion of those going to Canada or Mexico. This helps support nearly 2 million jobs earning $49 billion in wages. Exiting could cause the U.S. a drop of $13 billion in GDP from farming alone.

Due to railroad's scale of operations, our industry plays a major role in getting key Michigan products to market. We have invested massive sums of private capital, including $26 billion annually in recent years, to facilitate much of this activity. Today, trade accounts for at least 42 percent of rail carloads, and intermodal units and roughly 50,000 U.S. rail jobs are directly associated with international trade.

We believe strongly that today's sophisticated supply chains cannot be uprooted overnight, which is why we are vocally supporting our customers so dependent on trade. Sens. Gary Peters and Debbie Stabenow are absolutely correct when they argue that NAFTA renegotiations must not restrict market access for the state's tops exporters.

Controversial changes, such as the possibility for mandated renegotiation every five years, will only cause market uncertainties to the detriment of our economy.

Edward R. Hamberger is president and CEO of the Association of American Railroads.

To access the op-ed, click here.

###