

Des Moines Register

OPINION

Why Des Moines and Iowa business leaders support NAFTA

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U.S. President Donald Trump on Wednesday said that terminating the North American Free Trade Agreement would result in the "best deal" to revamp the 24-year-old trade pact with Canada and Mexico in favor of U.S. interests. Newslook



(Photo: Graham Hughes, AP)
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International trade is critically important to Iowa's economy, particularly for our state's key agriculture and manufacturing industries. That is why the Greater Des Moines Partnership and the Iowa Association of Business and Industry (ABI) support the North American Free Trade Agreement (NAFTA).

Collectively representing more than 6,800 businesses and organizations throughout Greater Des Moines and the state of Iowa, our two organizations know first-hand just how important NAFTA is to the economic vitality of the region and the state.

Iowa exports more to our two NAFTA partners – Canada and Mexico – than to the next 23 countries combined. Iowa stands to lose a great deal if the North American Free Trade Agreement is dismantled, rather than updated and improved.

For more than two decades, NAFTA has enabled a tripling of trilateral trade between Mexico, Canada and the U.S. Trade between the three countries now totals approximately \$1 trillion. In turn, the GDP of the three nations has doubled, with the region now producing 28 percent of global GDP, despite having less than 7 percent of the world's population.

Specific to Iowa, 47% of our total exports are purchased by Canada and Mexico, for a total export revenue of \$5.6 billion in 2016.

The NAFTA signatories are now engaged in negotiations for potential significant changes to the agreement. As the three countries prepare for future rounds of negotiations, we encourage them to consider the following:

One misconception is the notion that the trade relationship among the countries within NAFTA is out of balance. In fact, in the most recent year, the U.S. actually ran a surplus of \$8 billion on goods and services traded with Canada. Iowa and Canada's trade relationship is also balanced, with bilateral trade at more than \$5.9 billion.

Another idea often cited is that by eliminating NAFTA, or imposing more complex rules of origin, all jobs in agriculture within the NAFTA territory would shift to the U.S. However, ag jobs are dependent on open and free trade among the NAFTA countries. Forty-nine percent of Iowa's total agriculture exports go to Canada or Mexico. Without the agreement, tariffs on products exported to Mexico would rise from zero to 10 percent on pork, 25 percent on beef, 75 percent on chicken and 75 percent on high fructose corn syrup, a major Iowa export.

In the agriculture manufacturing sector, NAFTA has had major positive impacts in Iowa. Iowa exports \$215 million in tractors each year to Canada. The tractors exported from Iowa are dependent on component parts — equipment and machinery — from Canada, which equates to 14 percent of total imports from Canada to Iowa.

According to the U.S. Chamber of Commerce, NAFTA supports 138,000 Iowa jobs. NAFTA creates the necessary free trade relationship so that the agricultural and manufacturing industries, and many others in Iowa, can flourish.

The North American Free Trade zone is the biggest economic region in the world, with a regional market of more than 480 million consumers and a GDP of \$21.1 trillion (USD). NAFTA enables the U.S., working together with our North American partners, to compete effectively against other regions of the world.

At ABI and the Greater Des Moines Partnership, we are working hard to ensure NAFTA continues to provide economic opportunity for Iowans and the United States as a whole. We urge Iowans to call on those charged with negotiating NAFTA to make changes as necessary, while preserving elements that provide market access and economic growth opportunities.

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