

Preface:

Beyond Winners and Losers: Assessing Impacts

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It is a great pleasure to be here. As Chairman of the U.S. International Trade Commission (USITC), I want to thank the Federal Reserve Bank of Dallas; Canadian Department of Foreign Affairs, Trade and Development (DFATD); Instituto Nacional de Estadística y Geografía; and El Colegio de México, for joining the USITC in organizing this conference. We at the USITC are very happy that we could collaborate to put this conference together. I particularly want to thank Daron D. Peschel, the Vice President of the Dallas Fed's Houston Branch, and Mine K. Yücel, Senior Vice President and Director of Research at the Dallas Fed, for their roles in the conference. I also want to thank Jesús Cañas, an economist at the Dallas Fed, for all the hard work that he put into organizing the conference.

I am especially pleased that major statistical, academic, and policy institutions of North America have organized this conference to address some topics that have needed more detailed examination for a long time. One day in the early 1970s, while I was a junior Foreign Service Officer at the State Department just beginning to focus my career on economic issues, one of my Foreign Service colleagues, who also had aspirations as an economist, came to me and asked if I had heard of this “really cool thing” called the General Agreement on Trade and Tariff (GATT). Can you imagine today any young economist or policy analyst coming to you and saying: Have you heard of this “really cool thing called a free trade agreement?”

Today, while the general public has heard of free trade agreements, their perception of trade agreements is so low that the conversation I had with my friend would be inconceivable. Unfortunately, this public perception stems in large part from the debate about NAFTA. The following story will illustrate how bad the NAFTA debate got for me personally. In the 1990s, I was the Deputy General Counsel at the Office of the United States Trade Representative and was heavily involved in trying to get the NAFTA implementing legislation through Congress. Every time I would prepare a document on NAFTA and do a spell check, the spell check on our computers at USTR would always change NAFTA to NAUGHTY. This, as I said, hit me personally.

Nowadays when economists talk about free trade agreements, they mostly talk about winners and losers. But I am glad that this conference is going to take a much deeper look at the economic impact of NAFTA on the North American economy. In participating in the discussion today, I hope you will go beyond just trying to sort out the impact of NAFTA and ask yourselves these questions: What other economic policy

changes might have allowed NAFTA to have a more beneficial economic impact? Where there were negative impacts, how might they have been moderated or mitigated? I think we also should ask ourselves, have we fully assessed the impact of NAFTA? Have we fully measured the synergies that came from having an integrated North American market, and can our models properly take this into account? There are sometimes synergies within regions of a country as well as cross-border synergies that can come from trade agreements. Have we looked at those as well?

In working on trade policy and trade promotion issues for the past 40 years, I am still amazed at how small and medium-sized firms will see a change in government policy like a free trade agreement and start envisioning ways that they can take advantage of it. However, I am not sure we account for this phenomena in our models. In addition, we should look at the extent to which trade barriers still exist and what new ones have arisen since the agreement was negotiated, and assess their impact.

One of the key functions of the USITC is to provide Congress and the President with all available and relevant information regarding trade matters. We want to make sure that we get our analysis right. So, these questions matter. Fortunately, we have a wonderful group of talented economists at the USITC. You will hear from a number of them in the next couple of days. Here we also have a number of talented and thoughtful economists from the Dallas Fed and other institutions, and a group of recognized scholars from North American universities. So, I am hoping that with all of the talent in this room today, you will be able to increase the body of knowledge about the economic impact of NAFTA and begin to address the questions I asked. With this new knowledge, I hope that we can then educate policymakers and trade negotiators to enable them to produce agreements and policies that yield even greater benefits for our countries.

In sum, we need to have a better understanding of the preconditions and parallel measures that must be taken in order for trade agreements to have their theoretical anticipated impact, and a better understanding of what happens if we don't. We also need to educate policymakers to recognize that if they are going to negotiate a free trade agreement, they must take these preconditions, parallel measures and impacts into account. And so, I am hoping that sometime in the future I'll hear a few more folks say "trade agreements are cool things." Thank you.