



Everyone loses in a trade war

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It is no secret U.S. President Barack Obama's hero is Abraham Lincoln, the president who fought to end slavery.

Their lives have interesting parallels.

Both trained as lawyers. Both were elected as junior senators from Illinois. And both proudly campaigned as protectionists.

Lincoln's campaign slogan was "protection to American industry." Lincoln's Congress imposed punishing tariffs --90% for lace, 70% on toys, and 50% on eyeglasses -- with the average exceeding 50%.

He believed, "Protection is the law of nature, the law of self-preservation, of self-development, of securing the highest and best destiny of the race of man," and his government rejected free trade.

Later presidents sought to dismantle the walls of protectionism. In 1935, Franklin Roosevelt dropped tariffs to 35%, Harry Truman lowered them to 16% (1947), Dwight Eisenhower (1957) reduced them to 12%, Lyndon Johnson trimmed them to 8% in 1968 and Bill Clinton cut them to 5% in 1995.

Obama took office as the world's financial markets plunged into a growling bear market recession.

His campaign slogan, 'Change we can believe in' quickly morphed into a joint chorus with Congress of 'Buy American,' as they faced the collapse of the real estate bubble, subprime mortgage debacle and rising unemployment.

During the first 100 days of his presidency, U.S. capitalists embraced socialists; the government nationalized companies allegedly "too large to fail," and, in the hallways of power, there was talk of imposing state controls. Congress upped its protectionist rhetoric as it approved a variety of stimulus packages.

Canada grew alarmed. One in five jobs in this country is linked to international trade and the U.S. is by far its largest trading partner (76% of exports and 65% of imports).

Everyone loses in a trade war and so retaliatory action is not an option.

Ottawa voiced its concerns about how protectionism would damage our economy, saying costs would rise, trade disruptions would occur more frequently and North American-made goods and services would be less competitive internationally. It predicted serious jobs losses on both sides of the border.



The Calgary Chamber of Commerce joined with the Canadian Chamber and its network of 175,000 companies, Canadian diplomats and U.S. business owners to protest 'Buy American' provisions in the stimulus package.

We have already gotten results. Congress amended the legislation to say the U.S. "would respect its trade obligations under international law" and Canadian companies will not be shut out of federal contracts.

Protectionism grew in manufacturing and border-states with Canada and Mexico.

To protect trade between the provinces and states, the Calgary Chamber and 121 other Alberta Chambers wrote to Premier Ed Stelmach.

We urged his government to sign onto the World Trade Organization's Agreement on Government Procurement as a way to help provide Alberta companies with access to American state-level procurement projects.

"Securing open trade at the provincial, territorial and state levels is the best way to offset the 'Buy American' provisions in the federal stimulus package and 'Buy Canadian' movement," our letter stated.

"Alberta led the way on interprovincial free trade and we believe our province should carry the banner on this important issue."

The world's bear and bull markets tend to run in cycles. The protectionist bears will splutter when the open-trade, profit-driven bulls come roaring back to Wall Street.

Perhaps Obama will abandon protectionism in favour of global fair trade. -- a legacy comparable to Lincoln's.