

Intelligence MEMOS



From: Daniel Schwanen
To: Concerned Canadians
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Re: **A BIG DAY FOR NAFTA**

Today the United States publicly releases its specific objectives for a renegotiated NAFTA. The importance for Canada of this impending negotiation for Canadian jobs and incomes can hardly be overstated. Going back decades, but especially since the 1965 Auto Pact and the 1989 Canada-US Free Trade Agreement, Canada has progressively established itself as a trusted supplier of manufactured and other goods and services to the United States.

Preserving this status is critical. Canada and the United States, two advanced, high-income economies, enjoy a balanced and enormously beneficial trading relationship.

One in nine Canadian jobs overall rely on exports to the United States. But in manufacturing, this dependence rises to almost four out of every ten jobs. This is both because the United States is the main market for Canada's manufactured goods, and because in trading with each other Canadian and American production facilities work together, literally, much of the time.

Inputs such as parts or processed materials cross the Canada-US border a number of times at various stages of processing, before heading to the final purchaser. Any new barrier imposed on this trade would raise product costs, making them less competitive globally and in their own markets. Consumers and workers on both sides would suffer.

The Canadian imperative in these negotiations is therefore clear: it is to preserve Canada's status as a country whose products can enter the US market duty-free, and furthermore to resist any attempt to "tweak" so-called rules of origin in a way that would require more US content to qualify for duty-free status.

In fact, Canada and the United States could do more to liberalize trade along those principled lines, to the clear benefit of both, a point underlined on Friday by Prime Minister Trudeau to US governors. A modernized NAFTA should seek to simplify the requirements for meeting NAFTA rules of origin, which would particularly benefit small businesses. It should reduce regulatory barriers to trade, and in particular seek to harmonize or mutually recognize product standards between Canada and the United States (and if possible with Mexico), when it is clear that both standards effectively achieve an equivalent degree of protection for consumers. Canadians and Americans should likewise negotiate a framework for more open access to each other's procurement entities at the provincial and state levels, allowing workers on both sides to benefit from expanded infrastructure and other procurement opportunities.

Last but not least, the modernized NAFTA should reaffirm and if possible expand existing provisions facilitating trade in services, and border crossing for business travelers and for the tens of thousands of citizens of Canada or the United States who are, at any given time, performing a temporary job in the other country.

The key, however, is for Canada to make the United States recognize from the outset that it benefits from treating Canadian production on par with its own, when it comes to accessing the US market – because Canada can offer equivalent opportunities to US firms and workers. As underlined on Friday by Prime Minister Trudeau to US governors, we both benefit from working together.

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