

HOW NAFTA FOOLS THE PEOPLE

WHY IT'S TIME TO PULL THE PLUG ON THIS TRADE AGREEMENT

By Steven Shrybman

Senators Obama and Clinton's comments about renegotiating NAFTA have sparked a flurry of responses from Canadian politicians and pundits. After years of grudging acceptance, NAFTA's future is suddenly less clear as the U.S. democratic frontrunners questioned the trade agreement's benefits for U.S. citizens.

With very few exceptions this commentary reveals how successful the spin doctors have been in spreading the myths about the benefits of this free trade agreement for Canada. Even those who decry the price Canada has paid – most notably in abandoning control of energy and probably water resources – still assume there was a quid pro quo for these concessions. Unfortunately, Canada got much less in the free trade bargain than most assume, as the following exposé of NAFTA mythology shows.

MYTH #1 NAFTA GIVES CANADIANS SECURE ACCESS TO U.S. MARKETS.

FACT Canada failed to achieve this key goal and central rationale for negotiating a free trade agreement with the United States. The reality is that, unlike World Trade Organization (WTO) rules, NAFTA imposes no substantial constraint on U.S. unilateralism when it comes to denying Canadian exports tariff-free access to U.S. markets. Under NAFTA, all Canada is entitled to insist on is that U.S. countervail and anti-dumping duty laws – which U.S. Congress is free to revise without Canada's consent no matter how unfair the result – are applied properly to Canadian exports. Ongoing softwood lumber disputes have shown that even that modest right is virtually meaningless. The myth of secure market access is the most profound and enduring of all misrepresentations about NAFTA.



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MYTH #2 NAFTA IS RESPONSIBLE FOR THE SUBSTANTIAL GROWTH IN CANADA-U.S. TRADE THAT HAS TAKEN PLACE OVER THE PAST 14 YEARS.

FACT Growth in Canada-U.S. trade is happening at very close to the same rate as similar increases in U.S. trade with other trading partners with which it has no free trade agreement. While it is hard to pinpoint accurately, the most important factors underlying growth in bilateral trade have been the relatively cheap Canadian dollar, publicly funded health care (as a form of subsidy to manufacturers), and the insatiable U.S. appetite for oil, gas and other resources – all of which have nothing to do with NAFTA. For those who doubt the importance of a cheap dollar to Canadian export trade, you need only observe the carnage to the manufacturing sector that has occurred since the sharp increase in the loonie's value, free trade or no free trade.

MYTH #3 WHILE SOME TINKERING MAY BE NEEDED, NAFTA PROVIDES A SOUND BASIS FOR CANADA-U.S. ECONOMIC RELATIONS.

FACT NAFTA has been almost entirely superseded by the WTO and offers no significant advantage for Canada when compared with that multilateral trade regime. Indeed the opposite is true, because in addition to capitulating to

U.S. unilateralism when it comes to countervail and anti-dumping duty laws, the two other features that distinguish NAFTA and WTO rules also fundamentally undercut Canadian interests. The first are NAFTA rules that lock us into serving U.S. energy demands, even ahead of our own, and the second are NAFTA investment rules that allow U.S. corporations to challenge Canadian laws, including those relating to the environment and public services.

MYTH #4 BECAUSE CANADA'S ECONOMY IS SO DEPENDENT ON CANADA-U.S. TRADE WE SIMPLY HAVE TO ACCEPT TRADE ON WHATEVER TERMS THE U.S. IS WILLING TO OFFER.

FACT Canada has considerable leverage in bilateral trade relationships with the U.S. In part, this comes from the integrated nature of our manufacturing and resource economies. More important, however, is the growing appetite U.S. consumers have for Canadian oil and gas in a world where offshore supplies have become increasingly unreliable. The global market for energy, and other resource commodities is a seller's market, and the only commodity that seems to be in short supply in Canada is political leadership with the integrity and courage to protect our national interest.

We should welcome the interest U.S. Democratic candidates showed in renegotiating NAFTA. It may make Canadians decide that we don't need NAFTA after all.

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