

Did this historic trade deal help Canada? No

By Jim Stanford

October 8, 2012 – *The Globe and Mail*

There's no denying that foreign trade has been the biggest drag on Canada's economic performance in recent years. Our exports (in real terms) are smaller than way back in 2000, and our balance of payments is mired in record deficit. So it was especially ironic last week to watch business and Conservative leaders pull out the stops to toast the silver anniversary of the Canada-U.S. free-trade agreement.

Only "free-trade deniers" could possibly question the historic virtue of that deal, claimed a bellicose Ed Fast, the International Trade Minister. Curiously, the only thing missing from the chorus of self-congratulation was cold, hard data. Let's step back from the rhetoric and consider some concrete indicators of our North American trade performance, then and now.

Quantity of exports: In the mid-1980s, before Brian Mulroney and Ronald Reagan inked their deal, Canada's exports to the United States accounted for 19 per cent of Canadian GDP. Today, they account for 19 per cent of Canadian GDP. Any boost to exports from the deal was temporary, and has since been completely reversed.

Composition of exports: In the mid-1980s, most of Canada's exports to the U.S. consisted of relatively sophisticated manufactured goods (including automobiles, electronics and machinery). Today, most of our southbound exports consist of unprocessed or barely processed primary and resource products.

U.S. market: In the mid-1980s, 19 per cent of all U.S. imports came from Canada. Today, our share of their imports is just 14 per cent. So much for "special access." Yet, we still rely on the U.S. for 75 per cent of all our export sales – just as high as before the deal.

Productivity: In the mid-1980s, average productivity in Canadian businesses equalled 90 per cent of U.S. levels. Free-trade advocates predicted that continental integration would eliminate that gap – but we've gone backward, and fast. Today, our productivity is just 72 per cent of U.S. levels.

Incomes: Proponents also promised that productivity gains from free trade would translate into higher incomes. There's been no productivity dividend, and no income growth, either. In fact, last year's median family incomes, adjusted for inflation, were exactly the same as in 1980 – not a dollar of income growth over the whole period.

In short, it's hard to find any concrete economic evidence whatsoever that this historic deal actually helped Canada. No wonder the celebrants invoked metaphysical jargon last week rather than hard data – that the deal represented a "coming of age" for the nation, a "symbol of national confidence" and similarly nebulous outcomes. Yet, despite the dearth of hard economic evidence on the deal's benefits, anyone who dares question the loud consensus that free trade is self-evidently beneficial is ridiculed as economically illiterate.

The core of the free-trade agreement consisted of a historic *quid pro quo*. Canada wanted exemption from U.S. countervailing powers. In return, Canada granted the Americans secure access to our energy, even during times of shortage (through an energy-sharing provision that has never been accepted by any other country). We all know what came of the first part of that deal (softwood lumber, Buy America etc.). But the second part became reality, laying the institutional groundwork for a resource export boom that is remaking our national economy.

In reality, last week's back-patting was all about partisan politics, not economics. The Harper government wants to deflect attention from our continuing trade woes (and justify its aggressive pursuit of many more free-trade deals) by celebrating a historic, symbolic Con-

servative trade victory. But the numbers speak for themselves. If the goal was truly more and better trade, then the free-trade agreement clearly hurt Canada more than it helped.

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