USMCA lost opportunity to actually implement freer trade between Canada and U.S.

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VANCOUVER—The new United States-Mexico-Canada Agreement (USMCA)—NAFTA’s recently-negotiated replacement—represents a missed opportunity to create freer trade across North America, according to a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“We had a chance with these negotiations to truly liberalize trade between Canada and the U.S., but that opportunity was squandered because both sides came to the table with a list of protected industries that were off-limits from the start,” said Gary Hufbauer, a senior fellow with the Peterson Institute for International Economics and co-author of *The U.S.-Mexico-Canada-Agreement: Overview and Outlook*.

The study identifies how USMCA differs from NAFTA, and what elements of the two agreements are the same.

The new trade deal leaves intact protections in many sectors, to the detriment of Canadians. For example, USMCA only increases U.S. access to Canada’s dairy market from 3 per cent to 3.59 per cent.

Likewise, previous protections for the telecommunication and banking sectors remain intact, meaning Canadians will continue to pay comparatively higher cellphone bills and banking fees.

Crucially, when it comes to the North American auto sector, the USMCA introduces much more managed trade, even imposing limits on how many automobiles (and auto parts) Canada and Mexico will send into the U.S., and tightens the “rules of origin” requirement for auto parts.

“Clearly, for the auto sector, the USMCA is a step backwards to the managed trade days of the 1960s,” said Steven Globerman, study co-author and Fraser Institute senior fellow.

“This new free trade deal is much more about protecting domestic producers than about benefiting consumers or liberalizing trade across the continent.”

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