NEWS RELEASE

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Ottawa faces stark choice in NAFTA talks; scrap high-profile protectionist policies or risk the trade deal

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VANCOUVER—To successfully renegotiate the North American Free Trade Agreement (NAFTA), Canada may have to eliminate protectionist policies aimed at key Canadian industries—and that could be good news for the Canadian economy in the longer-run, according to a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

Talks to renegotiate NAFTA, initiated by President Donald Trump, kick-off this week in Washington, D.C.

"These talks could transform the Canadian economy by forcing Canada to remove protection for a number of favoured sectors of the economy—telecommunications, banking, cultural industries, and certain parts of our agricultural sector," said Steven Globerman, Fraser Institute senior fellow, international business professor at Western Washington University and co-author of ***The Fate of NAFTA: Possible Scenarios and their Implications for Canada***.

"These changes could benefit Canadians immensely by forcing these industries to be more competitive," he added.

The study analyzes a number of potential outcomes from the renegotiation of NAFTA, including what happens if the trade deal is scuttled.

The study also identifies a number of favourable outcomes from the renegotiations based on demands already made publicly by the U.S. administration, including better access for U.S. companies to Canada's telecommunications and financial sectors, stronger patent protections for pharmaceuticals, more open agricultural markets for U.S. products and changes to foreign ownership regulations.

Opening these sectors could benefit the Canadian economy and Canadian consumers.

For example, scrapping restrictive dairy industry protections—known as supply management—that not only limit production but also impose high tariffs on milk and cheese imports, could lower dairy costs for Canadians by as much as 40 per cent.

And reducing Canadian foreign ownership restrictions for telecommunications could also lower prices for consumers (Internet and cellphone bills, for example) and make Canada a more attractive place for investment.

But if Canada, the U.S. and Mexico fail to renegotiate NAFTA and the deal is scuttled, Canada will likely retain many of the economic gains—labour productivity, for example—it derived from the earlier Free Trade Agreement and later NAFTA.

And Canada can capture new gains through trade liberalization with its Asia-Pacific trade partners.

"With or without NAFTA, securing access to new markets around the world is one way Canada can better insulate itself from changes in U.S. trade policy," Globerman said.

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MEDIA CONTACTS:
Steven Globerman, Senior Fellow
Fraser Institute

To arrange media interviews or for more information, please contact:
Bryn Weese, Media Relations Specialist, Fraser Institute
(604) 688-0221 ext. 589
bryn.weese@fraserinstitute.org

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