

Editorial ? Fair? or free?? It's complicated!

Trade between Canada and the United States has been an issue since even before Confederation 150 years ago, and if Donald Trump has his way, it's an issue that certainly won't go away.

However, like health care, it's also pretty complicated, and we doubt the U.S. president realizes either that trade between the two countries isn't always free? or that what's fair? to one party might be seen as terribly unfair by the other side.

At this point, all we really know is that Trump sees the North American Free Trade Agreement (NAFTA) as one-sided, favouring Mexico at the expense of U.S. workers.

Thus far, he has had little to say about Canada-U.S. trade, perhaps because we are not only his country's major trading partner or because there's neither the trade imbalance the U.S. has with Mexico nor any reports of U.S. manufacturers moving their operations north.

Long before there was talk of free trade, there was the concept of reciprocity, embodied in the Canadian-American Reciprocity Treaty of 1854, which was really a trade treaty between the United Kingdom and the United States that also applied to British possessions in North America, including the Province of Canada (now Ontario and Quebec), New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland. It covered only raw materials and was in effect only from 1854 to 1865. But since it was a move toward free trade it was opposed by protectionist elements in the U.S. and after the conclusion of the American Civil War, the protectionist elements were joined by Americans angry at alleged British collaboration with the Confederate States during the war, and the alliance was successful in terminating the treaty in 1866.

The response north of the border was Confederation, seen as primarily a bulwark against a possible U.S. invasion and as a means of stimulating inter-provincial trade.

Attempts by the Liberal party to revive free trade with the U.S. in 1911 led to a political victory for the Conservatives, who warned that it would lead to Canada being annexed by the Americans.

Talk of reciprocity ended for decades, but tariffs between the two countries gradually declined and the 1960s saw creation of the Canada-U.S. auto pact that permitted cars built in either country to be sold in the other without any tariffs.

And it was ironically the Conservative government of Brian Mulroney that negotiated the Canada-U.S. Free Trade Agreement of 1987 that in 1994 was replaced by NAFTA.

As we see it, there's precious little doubt that the Trump administration will find pressure from lots of lobbyists in the U.S. apart from the softwood lumber industry, which has so successfully moved to restrict the export of Canadian lumber products by claiming the British Columbia and Alberta governments don't charge enough for trees cut from crown lands in the two provinces.

We would also expect to hear criticism of Canada's marketing boards and limits that have been placed on imports of things like U.S. beef and eggs.

However, Trump and his negotiators might be surprised to find that free trade has led to thousands of Canadian jobs being moved to the U.S., not just to Mexico.

A couple of examples are Stelco and Caterpillar. Stelco, once Canada's biggest steel producer, has all but disappeared since its purchase by U.S. Steel. And the huge Caterpillar plant in Brampton is long gone, with all its manufacturing now in the U.S., thanks to free trade.

Perhaps most complicated of all is the situation now found in the automotive industry, where virtually every vehicle assembled on both sides of the border has parts that can come from just about everywhere in the world.