

# MP's REPORT: NAFTA to USMCA; Not Just Loss of 'Free' Trade

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Recently the Liberal Government agreed to the next version of NAFTA, now called the USMCA.

How should the success of this new trade agreement be measured? To adequately evaluate the new agreement, the following three issues should be considered:

## 1. Loss of Sovereignty vs. Trade Deal

The USMCA is not just a simple free trade agreement between states, it also contains clauses that constrain Canada's freedom to set our own political and economic agenda; our sovereignty. Chapter 33 limits Canada's independence in monetary policy, and Chapter 32.10 states that the US must approve all future Canadian trade deals for our continued participation in USMCA.

## 2. Managed Trade vs. Free Trade

The USMCA replaces some 'free trade' elements with 'managed trade' conditions that restrict Canada's participation in the North American market. The USMCA gives American farmers increased access to Canada, while also eliminating regulations slanting the playing field in favour of the US. It also caps the growth of the Canadian Auto sector and raises Canada's cost of production jeopardizing our competitiveness. Additionally, the USMCA extends US patent protection resulting in higher drug costs for Canadians.

## 3. No Relief on Punishing Tariffs

In June, the Trump administration imposed punishing tariffs on Canadian steel and aluminum, on the basis that these imports posed a threat to US national security. It was assumed that these tariffs would be lifted once a new trade deal was signed. Not only do these tariffs still exist, there is also a new protocol that makes it easier for the US to impose future national-security related tariffs against Canada.

Severe limitations on our sovereignty, increased restrictions on our 'free' trade, and punitive tariffs are elements that ensure this is a worse deal for Canada. But is a worse deal better than no deal because it removes the uncertainty? However, the uncertainty remains. There is no timeline for when the tariffs will be lifted, and no guarantee that new ones will not be imposed. The impact of the restrictive monetary policy clauses and our inability to diversify through future trade deals is unknown. Additionally, the negative impact of caps on growth and the increased costs of production, may drive jobs and future investment out of Canada.

But was this the best deal Canada could get?

To answer that question, the government's actions outside of the negotiating room must be considered. Canada's Minister of Foreign Affairs levied veiled criticism of the American President during a speech she gave in Washington, and participated in the 'Taking on the Tyrant' panel discussion which compared Trump with Syria's Bashar al-Assad and Russia's Vladimir Putin, all amid NAFTA negotiations. Regardless of personal opinions, this is not behavior befitting Canada's highest diplomat during a free trade negotiation.

Furthermore, at the G7 in Charlevoix Quebec, Prime Minister Trudeau made inappropriate comments directed at President Trump which were not taken lightly.

This pattern of undiplomatic behavior ensured that Canada did not receive the best trade deal. Now, Canadians must decide whether Canada should accept a bad deal rather than no deal.

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