

Counterpoint: The CUSMA Will Harm Canada's Economy

Thesis

The questionable benefits of the original NAFTA (North American Free Trade Agreement, 1992-2020), combined with the concessions Prime Minister Justin Trudeau was forced to make to secure the deal, resulted in an agreement that will harm the Canadian economy.

Talking Points

- Some aspects of NAFTA were negative for Canada, and the new agreement did not fix those aspects.
- To conclude the agreement, Canada was forced to make concessions that could harm its economy, especially in the agricultural sector.
- New rules regarding automotive manufacture will raise costs within an already precarious industry that has experienced many challenges due to the COVID-19 pandemic.

Summary

Many critics of CUSMA were already unhappy with its predecessor, NAFTA, to which CUSMA is very similar. Jerry Dias, president of Unifor, the largest private-sector union in Canada, wrote that NAFTA "was written to help corporations, not the working people that produce the products", encouraging Canadian companies to outsource labour to Mexico. In addition, some feel that NAFTA was not good for Canada's economy. A study by Lorenzo Caliendo and Fernando Parro published in 2015 measured the welfare of the US, Canada, and Mexico after NAFTA by comparing the gain in trade with other member countries to the loss in trade with non-member countries. They found that while Mexico and the US gained by this measure, Canada's welfare declined slightly.

Opponents have also argued that in some ways, CUSMA is worse for Canada than NAFTA was. A provision allowing the US to enter the Canadian dairy market proved particularly controversial after the US filed for a dispute settlement panel to review claims that Canada was engaging in unfair practices. While US officials contended that Canada was preventing US dairy producers from entering Canadian markets, the Canadian international trade minister Mary Ng said that she was "very confident that Canada is meeting its obligations under the USMCA", as reported by *CBC News*. Experts warned that the issue was not likely to be resolved soon. Andrea van Vugt, a former foreign policy and trade adviser, explained to *CBC News*, "I think it is always going to be an irritant between Canada and the US." Moreover, the dairy industry is also now required to publish competitive

information on pricing and notify the US before making any changes to its milk classification system. “This should not be understated, and will have a lasting effect on our domestic dairy sector”, wrote Pierre Lampron, president of the Dairy Farmers of Canada, in a media release. David Mol, president of the PEI Federation of Agriculture, agreed, saying that the concessions made regarding the dairy industry are “not a position that we want to see future negotiations go [to]”, as quoted by *CBC News*.

New requirements for the automotive industry were also criticized. CUSMA raised the percentage of parts of a car that must be manufactured in North America from 62.5 per cent to 75 per cent and required that 40 to 45 per cent of a car producer's labour be performed by workers earning a minimum of US\$16 per hour. Some expressed concern that this could drive up the cost of auto manufacturing—an industry that was already negatively impacted in 2020 and 2021 by the COVID-19 pandemic and resulting global supply chain disruptions. “This is overall cost-increasing for the North American supply chain . . . over the longer term, competitiveness-reducing”, Brett House, deputy chief economist for Scotiabank, said, as quoted by *CBC News*. These costs could be passed along to consumers, leading to a decline in market demand that could be detrimental to Canada's already struggling auto industry. A report by consulting firm PwC Canada produced in November 2020 predicted that vehicle production value in Canada would decrease by US\$1 billion and auto parts production would fall by about US\$300 million after CUSMA enters into force. Although CUSMA includes tariff-free access provisions, the US bypassed these in early 2025 through Section 232 tariffs, imposing duties on steel, aluminum, and automobiles. Economists highlighted these tariffs, along with trade uncertainty, as key threats to business and consumer spending. RBC Economics reported that in 2025, Canada was facing a severe slowdown in growth, accompanied by rising unemployment, declining consumer confidence, and poor business investment.

Ponder This

- The author has presented the fundamental positions for this perspective in the debate. Outline the strengths and weaknesses of each perspective.
- If asked to begin forming an argument for this position, what sources would you need to build your case? What fundamental information do you need? What opinion leaders in this debate would you look to in solidifying your argument?
- What are the weakest aspects of the position outlined by the author? How might those weaker arguments help you prepare a counterargument?
- What additional Talking Points could you add to support this position?

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