

Trump doesn't care about Canada. Let's not overplay our NAFTA hand

Thirty per cent of Canadian GDP is tied up in trade with the U.S., and only three per cent of their GDP is tied up with us. Why pull the eagle's feathers?

by Conrad Black



It is premature to draw conclusions from what is known of the NAFTA discussions, but the U.S. side, according to my informants, was not convinced in the early stages of the negotiations that Canada wanted free trade between the United States and Canada to continue. It seemed to the Americans, that in putting politically correct positions about gender equality and what they regarded as not overly relevant

environmental questions first, the Canadians were posturing to their own electorate, and not really trying to modernize trade arrangements. The Trump White House is not slow to impute questionable motives to foreigners and rightly recognizes that most of America's so-called allies are really freeloaders who enjoy an American military guaranty, and usually don't pull their weight in their own defence efforts, apart from those countries that feel threatened by Russia and China, such as Poland, Japan and South Korea. The U.S. trade deficit has been a sensitive matter politically since Trump pounded the subject in the 2016 election, where he particularly singled out China, Mexico and Japan.

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Taking radical measures against China, both in trade and monetary policy, has had to await the more important strategic issue of enlisting China to act seriously in enforcing sanctions on North Korea to incentivize North Korea to reverse its nuclear military program. Mexico has no such countervailing influence and the United States has threatened to "tear up" NAFTA, in which Mexico has a \$70-billion trade surplus with the U.S., while also making it clear that it would no longer continue to accept practically unlimited numbers of illegal immigrants, almost all of them unskilled and not fluent in English, who have come from, or at least through, Mexico by the millions and for decades. Trump has also famously claimed that an inordinate number of these undocumented entrants are criminals, including many violent criminals. The frequency of incidents involving such people in rape and murder cases is a continuing source of grist for Trump's political mill.

The problems have been aggravated by American industry routinely relocating to Mexico and other low-wage and low-tax countries, creating unemployment and shrinking the tax base in

the United States and not, until his recent tax legislation, repatriating the profits. Neither American public opinion nor candidate or President Trump has harboured many serious grievances against Canada. The president has become a bit more vocal lately, although it remains a matter of dispute which country enjoys a surplus with the other. While Trump doesn't take Justin Trudeau seriously and consult him, as Roosevelt and Truman did King and St. Laurent, much less the intimacy of Reagan and George Bush Sr. with Brian Mulroney, he finds him a pleasant person, unlike Richard Nixon and Ronald Reagan's dislike of Pierre Trudeau.

The politically correct flavour of Canada's initial positions, while Trump and Trudeau were publicly differing over climate change and the Paris Accord, and Canadian overtures around the administration to the Congress, have further soured the ambiance of the NAFTA talks. The Republican congressional majorities, having sat on their hands for six months waiting to see if Trump would be durable, are now solidly behind the president, and the general feel-good, do-right, eager-to-please-America's-critics aura of the Trudeau government has succeeded in irritating Trump personally and some parts of his entourage. There is no chance that this line was followed inadvertently, though there seems to be some indication that Canada is now approaching the whole exercise more seriously. No one but Donald Trump will decide whether the United States overhauls free trade with Canada or chucks it completely. Attempted infiltrations of the Congress or quasi-social pep-sessions with the president's daughter about women's rights will not achieve anything in trade matters.



Prime Minister Justin Trudeau converses with Ivanka Trump during the Fortune Most Powerful Women Summit and Gala in Washington, D.C., on Oct. 10, 2017. Sean Kilpatrick/CP

All Canadians are steeped to the eyeballs in the lore of the world's greatest binational trading relationship, but 37 per cent of Canadian GDP is tied up in trade with the U.S., and

only three per cent of U.S. GDP, and most of that is in northern border states like Washington, Minnesota and New York, which are in the hands of the president's Democratic opponents. (In a magnificent tactical gesture that could have been taken from the playbook of Maurice Duplessis, Trump's tax reform bill almost eliminated the deductibility from federal income tax of state income taxes, which are imposed only by chronically spendthrift Democratic states – New York, New Jersey, Massachusetts, Connecticut, Illinois and California. If they want to elect fiscally profligate Democratic governors, they can pay for it and not lay it off on other more sensible states.)

Trump is not anti-Canada nor anti-Trudeau; but he isn't much interested, either. It doesn't matter to him, politically or otherwise, if the U.S. and Canada go back to World Trade Organization rules. Unlike every president starting with Franklin D. Roosevelt, he has no interest in coming to Canada and he doesn't care what anyone in Canada thinks of him. It would be an inconvenience to Canada, though not the end of the world, if NAFTA broke down, so this does raise the issue of the motivations of this government.

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I was a strenuous supporter of Brian Mulroney's Free Trade Agreement with the first Bush administration in 1988-9, not only because it would secure easier access to the world's greatest market, but because it would also raise Canadian self-confidence, in seeing that we could compete successfully and at the closest quarters with the world's greatest economic power. It was a prodigy of diplomacy and statecraft for Mulroney to have gained that position; Canada did compete, and the United Kingdom will join a trade agreement with the United States in the next couple of years as it pulls back from Europe. Mexico has muddied the waters, but this remains the

greatest trade association in the world, and the least compromising of the members' sovereignty.

There is room to suspect that the Canadian government has at least been tempted to allow the trade agreement with the U.S. to be terminated by the other side (Mexico is a sideshow for us, as Canada is for the Americans). Historically, America-bashing is a good play politically in Canada. Wilfrid Laurier, the only person to serve four straight full terms as prime minister, was thrust out of office on the issue of trade "reciprocity" in 1911. Mulroney only carried Free Trade in 1988 because the anti-free trade majority was badly split between the Liberals and New Democrats. Canadians have been led into contempt for Trump as if by a particularly duplicitous Judas goat by their hopeless, Kool-Aid-sodden media that just parrots the feed from the American media Trump won the election attacking, and which he has outflanked through social media and his domination of the talk-show world. Some Canadians might be impressed by Justin politically punching Trump in the face as if he were Patrick Brazeau.

After nearly two-thirds of its normal mandate has passed, this government has not actually done anything noteworthy, and is a figure of mirth and bemusement in much of the Western world for its politically correct asininites such as altering the national anthem and coining "peoplekind," (and Americans and Europeans don't hear that Trudeau now says it was an unsuccessful joke). Canadians like to imagine themselves as benign peacekeepers, and that is how they are perceived in the world. Canada has no enemies, and uniquely among G7 (and equivalent) countries has never done anything to offend responsible world opinion. But there is a great difference between being inoffensive and being respected. Stephen Harper's policies were respected but he was the mouse that roared – that talked tough to Putin and would support Israel "through fire and water," but allowed our military to wither. Justin Trudeau is an alluring public figure, but Canada is

becoming unnervingly unserious in the world.

Pulling the eagle's feathers may seem like a popular domestic political move, but though Donald Trump may not seem very aquiline, it could be politically hazardous. The U.S. economy is growing at more than twice the rate of Canada's, has lower taxes, and, unlike Canada, declining unemployment. Few people in this country have more reason for reservations about the U.S. than I do, but straight-arming that country at close range is a terrible idea. In a slight change of the words of the great John Crosbie, finance minister in 1979, anti-American pyrotechnics would be "short-term gain for long-term pain." Don't do it.

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