

## **Answer to QON Monday, 30 July 2018 TPP-11 Hansard Page 13**

**CHAIR:** Does any Westminster system do it better? Do any other Westminster systems have more rigorous predictive and evaluative processes around trade agreements—perhaps you want to take that on notice?

**Dr Ranaid:** I'd have to take that on notice. There have been some studies done of the NAFTA agreement, for example, but, yes, I'll have to take that on advice.

### **NAFTA studies summary**

The most-studied trade agreement in terms of evaluation of economic outcomes is the North American Free Trade agreement (NAFTA), between Canada, the United States and Mexico which has been in force since 1994.

A useful summary of the studies and debate about NAFTA economic outcomes was published by the US Council on Foreign Relations, written by James McBride and Mohammed Aly Sergie, "NAFTA's economic Impact" October 4, 2017, found at <https://www.cfr.org/background/naftas-economic-impact>

The article summarises the debate between economists about NAFTA's positive and negative impacts in each country. There are links to more detailed studies for each country.

There is agreement that NAFTA increased trade and integrated production chains between all three countries. However the impacts of this increased trade were unevenly felt both within and between countries. It is also difficult to isolate NAFTA impacts from broader economic influences like the GFC, and other national economic factors. In summary, the studies show that there have been both winners and losers in each country.

For Mexico, NAFTA did not deliver on its over-optimistic promises of large increases economic growth, reduced unemployment and reduced poverty, and reduced emigration from Mexico to the United States. Growth in employment from increased US investment in manufacturing in Northern Mexico has been offset by employment losses amongst Mexican small farmers displaced by cheaper US agricultural imports, and emigration to the United States has persisted.

For the US, critics point to job losses from US manufacturing investment moving to Mexico to lower costs, and a widening US trade deficit with Mexico. Others argue that the decline of US manufacturing has been influenced by other factors, not only by NAFTA, including technological change and import competition from China.

For Canada, neither the worst fears of critics—that opening to trade would gut the country's manufacturing sector—nor its highest hopes—that it would spark a rapid increase in productivity—came to pass. The US and Canada had a bilateral FTA from 1989, which meant that NAFTA impacts from 1994 were [limited](#). Canadian manufacturing employment held steady, but the "productivity gap" between the Canadian and U.S. economies remains.