

## Will it be reciprocity or fair trade?

NOW THAT DONALD TRUMP has apparently set aside, at least for the moment, his promise to tear up the North America Free Trade Agreement (NAFTA) and instead is talking of simply re-negotiating the agreement, we suspect there's some easier breathing on Parliament Hill.

However, the optimism may have been cushioned by a comment made in Calgary by a senior business adviser to Mr. Trump after he met with Prime Minister Justin Trudeau and spoke to the federal cabinet, which just happened to be having a retreat of sorts in Calgary.

Stephen Schwarzman, who heads the President's strategic and policy forum and is the CEO of Blackstone Group, said talks on re-negotiating NAFTA will start soon but there was no reason for Canada's government to be "enormously worried."

Mr. Schwarzman, who leads a forum of CEOs representing some of the largest companies in the United States, said the Trump administration's trade concerns are focused on countries that have large trade imbalances with the United States and Mr. Trudeau shouldn't be concerned because that doesn't apply to Canada.

"I don't think he should be enormously worried, because Canada is held in very high regard," he told reporters after the meetings. "I think trade between the U.S. and Canada is really very much in balance and is a model for the way that trade relations should be. So I think Canada is very well-positioned for any discussions with the United States."

Any student of Canadian history knows full well that trading between the two neighbors has been a subject of great controversy since even before Confederation.

After Confederation, reciprocity was initially promoted as an alternative to Prime Minister John A. Macdonald's protectionist National Policy. Reciprocity meant that there would be no protective tariffs on all natural resources being imported and exported between the two countries, and prairie grain farmers could both have access to the larger U.S. market and obtain access to cheaper American farm machinery and manufactured goods, which otherwise had to be obtained at higher prices from Central Canada. In the 1891 election, the Liberals ran on a reciprocity platform but lost to the Macdonald-led Tories, who campaigned with a nationalist slogan, "The Old Flag, The Old Policy, The Old Leader."

But when the idea was revived by the Americans, Wilfrid Laurier's Liberals began to campaign for it and went on to win the 1896 election and negotiate an elaborate reciprocity agreement in 1911, only to have the Conservatives term it a "sellout" and win the election of that year with the slogan "No truck or trade with the Yankees."

More recently, the concept of reciprocity was revived in the 1985 when the Royal Commission on the Economic Union and Development Prospects for Canada, which had been appointed by the Liberals, issued a report calling for free trade with the U.S., and in 1985 the Progressive Conservatives, under Brian Mulroney, acted on the recommendation by negotiating the Canada-U.S. Free Trade Agreement, which came into effect in 1988.

NAFTA, which extended the free-trade area to include Mexico, was negotiated by the Mulroney government but implemented in 1994 by the Liberals under Jean Chrétien, who in opposition had wanted it either re-negotiated or scrapped.

As in Canada, NAFTA was negotiated by the Republican administration of George H. W. Bush and implemented by the Clinton Democrats with broad support from the Republicans of the day.

All of which leads us to wonder what will ultimately happen, with a U.S. president who says everything must put "America first" and claims to be a supporter of free trade, so long as it's "fair trade."

Guess we'll just have to watch, patiently.