Rachel and I affirm.

Observation one:

Any actions countries take that violate the terms of NAFTA should not be considered participation in NAFTA.

Contention One is Catalyzing Canadian Capital .

NAFTA helps Canada in two ways.

The first is through foreign direct investment.

Villareal 17 finds that NAFTA increased US investment in Canada to more than $20 billion.

Gonzalez 17 corroborates that both the US and Mexico have tripled their investments in Canada as a result of NAFTA.

The second way is by promoting exports.

Gonzalez finds that NAFTA created strong bilateral agricultural trade flows, causing Canadian agriculture trade with both the US and Mexico to triple.

Gonzalez confirms that NAFTA caused Canadian exports to the US to increase by nearly $250 billion.

The impacts of Canadian growth are twofold.

The first is benefitting the US.

Loungani 01 determines that every $1 in FDI creates $1 of economic growth for the investing country. That means NAFTA spurred a $20 billion benefit to the US economy.

Further, **Beyer 17** explains that Canada accounts for up to a third of the lumber used in the US. Problematically, **Beyer** continues that tariffs on Canadian lumber have historically led to 18% increases in timber prices, which ultimately increases the cost of housing for Americans. NAFTA removes tariffs, making housing more affordable.

The second impact is preventing a trade war.

Amadeo 18 finds that NAFTA removed all tariffs and barriers to trade, allowing all three countries to equally invest and trade with one another. Without US participation, this agreement would not be in place to prevent trade-based conflict.

Critically, **Savard 17** finds that US-Canada economic relations are at a decisive point right now, continuing that trade conflicts between the US and Canada harm both parties, with Canada feeling especially pronounced effects. Thus, **Savard** concludes that the focus of both countries should be on preserving agreements via NAFTA.

<u>Contention Two is Motivating the Mexiconomy.</u>

NAFTA creates growth in Mexico in two ways.

The first is by opening up the economy.
Villareal 17 clarifies that NAFTA created trade liberalization and economic openness in Mexico. **Breir 17** furthers that NAFTA played a critical role in opening Mexico's economy up to trade, investment, and growth.

The second is by increasing investment.
Zarsky 04 elucidates that NAFTA tripled US foreign direct investment in Mexico, half of which went directly to the manufacturing sector. **Zarsky** continues that, as a result of NAFTA, Mexican exports increased 50%, and 90% of that growth was in manufacturing.
Breir 17 reports that NAFTA generated over $80 billion in two-way trade between the US and Mexico, thus boosting Mexican industry, creating over a million jobs.

Ultimately, **Rubio 17** concludes that NAFTA is critical to Mexican economic growth.

The impacts of continuing Mexican economic growth are threefold.

The first is spurring change.
Breir finds that Mexico is on the pathway toward social change right now and is on the brink of major reform, continuing that a stronger Mexican economy is key to political and social reform in Mexico.
Villareal 17 corroborates that NAFTA opened up Mexico's economy, locking in market reform measures, mitigating the debt crisis, and strengthening democracy in Mexico.
Breir determines that reforms in Mexico translate to reforms throughout Latin America, improving security for the entire Western hemisphere.

The second is benefitting the United States.
Rubio 17 finds that NAFTA-created growth creates regional stability in Mexico, which benefits not only Mexico, but also helps the United States by creating a stable trade partner.

The third impact is stopping the violence.

Ramirez 16 determines that Latin American drug cartels have ties to terrorist organizations including al-Qaeda, the Taliban, and Hezbollah, and that these ties could facilitate the movement of terrorist weapons, operatives, and training materials into the US if cartels were strengthened. **Cusick 10** explains that terrorist conflict in Latin America threatens global democratic stability.

Thankfully, **Brier 17** notes that United States economic cooperation is essential to combatting cartel growth. Consequently, NAFTA is the key to protecting Latin America from cartel growth and destabilization.

Thus, we affirm.

Zarsky, Lyuba, and Kevin P. Gallagher. "NAFTA, foreign direct investment, and sustainable industrial development in Mexico." *Americas Program Policy Brief* 28 (20**04**).
http://www.ase.tufts.edu/gdae/Pubs/rp/AmerProgFDIJan04.pdf
On the surface, the strategy was, at least until recently, a dazzling success. **Between 1994 and 2002, FDI inflows into Mexico ballooned to a yearly average of $13 billion, nearly three times more than the yearly average of $4.5 billion between 1988 and 1993.** Indeed, Mexico ranks among the top three developing country recipients of global FDI. Moreover, as hoped, **about half of the FDI flowed into manufacturing. Exports increased by nearly 50% after the passage of NAFTA in 1994 and manufactures accounted for nearly 90% of total exports.** In the face of the failure of many developing countries to attract FDI—despite the embrace of integration policies—Mexico became a poster child for neoliberal globalization.

Villareal, M., and Ian F. Fergusson. "The North American Free Trade Agreement (NAFTA)." (20**17**). https://fas.org/sgp/crs/row/R42965.pdf
Well before NAFTA negotiations began, Mexico was liberalizing its protectionist trade and investment policies that had been in place for decades (see page 9 of this report). The restrictive trade regime began after Mexico's revolutionary period and remained until the early- to mid- 1980s when the country was facing a debt crisis. It was at this time that the government took unilateral steps to open and modernize its economy by relaxing investment policies and liberalizing trade barriers. **The trade liberalization measures that began in the mid-1980s shifted Mexico from one of the world's most protected economies into one of the most open.** Mexico now has 12 FTAs involving 46 countries.5 Mexico's first steps in opening its closed economy focused on reforming its import substitution policies in the mid-1980s. Further reforms were made in 1986 when Mexico became a member of the General Agreement on Tariffs and Trade (GATT). As a condition of becoming a GATT member, for example, Mexico agreed to lower its maximum tariff rates to 50%. Mexico went further by reducing its highest tariff rate from 100% to 20%. Mexico's trade-weighted average tariff fell from 25% in 1985 to about 19% in 1989.6 Although Mexico had been lowering trade and investment restrictions since 1986, the number of remaining barriers for U.S. exports remained high at the time of the NAFTA negotiations. Mexico required import licenses on 230 products from the United States, affecting about 7% of the value of U.S. exports to Mexico. Prior to its entry into GATT, Mexico required import licenses on all imports. **At the time of the NAFTA negotiations, about 60% of U.S. agricultural exports to Mexico required import licenses. Mexico also had numerous other nontariff barriers, such as "official import prices," an arbitrary customs valuation system that raised duty assessments.7 For Mexico, an FTA with the United States represented a way to lock in the reforms of its market opening measures from the mid-1980s to transform Mexico's formerly statist economy after the devastating debt crisis of the 1980s.**8 The combination of the severe economic impact of the debt crisis, low domestic savings, and an increasingly overvalued peso put pressure on the Mexican government to adopt market-opening economic reforms and boost imports of goods and capital to encourage more competition in the Mexican market. **An FTA with the United States was a way of blocking domestic efforts to roll back Mexican reforms, especially in the politically sensitive agriculture sector.** NAFTA helped deflect protectionist demands of industrial groups and special interest groups in Mexico.9 **One of the main goals of the Mexican government was to increase investment confidence in order to attract greater flows of foreign investment and spur economic growth. Since the entry into force of NAFTA, Mexico has used the agreement as a basic model for other FTAs Mexico has signed with other countries.10** For the United States, NAFTA represented an opportunity to expand the growing export market to the south, but it also represented a political opportunity for the United States and Mexico to work together in resolving some of the tensions in the bilateral relationship.11 An FTA with Mexico would help U.S. businesses expand exports to a growing market of 100 million people. U.S. officials also recognized that imports from Mexico would likely include higher U.S. content than imports from Asian countries. In addition to the trade and investment opportunities that NAFTA represented, **an agreement with Mexico would be a way to support the growth of political pluralism and a deepening of democratic processes in Mexico.** NAFTA also presented an opportunity for the United States to spur the slow progress on the Uruguay Round of multilateral trade negotiations.12

Rubio 17 (Luis, Chairman @ Mexican Council on Foreign Relations, "Keep the Trade Deal; the U.S. Needs Mexico to Prosper," 1/30, https://www.nytimes.com/roomfordebate/2017/01/30/new-terms-for-nafta-7/keep-the-trade-deal-the-us-needs-mexico-to-prosper) // RH
Mexico has gone a long way in reforming its economy and Nafta is a critical part of that process. There are plenty of issues Mexico needs to address in order to become a full democracy, and it is here where Nafta is most important. **A stable, prosperous Mexico is critical to** both Mexican and **American interests and security**. Nafta is far more than a trade agreement — it is **Mexico's engine of growth**. It needs upgrading and updating, and that is exactly what happened during the negotiations that took place in the context of Trans-Pacific Partnership. But it **is also crucial to** **regional stability**, which is in the U.S.'s interests. Nafta does not confer on Mexico any advantages or privileges. It is a symmetrical arrangement in which Canada, Mexico and the U.S. are equal partners. There is, however, a big asymmetry in the importance of the trade agreement to each nation: Even though certain industrial sectors profit enormously thanks to their Mexican business interests, Nafta's impact on the U.S. is relatively minor. The opposite is not true: The impact of U.S. economic and political decisions in regarding Mexico can be extraordinary, as witnessed by the devaluation of the peso over the last few months.

Cusick 10 (Tyler, Associate @ Boston Consulting Group + Research Partner at Radcliffe Institute for Advanced Study at Harvard, Harvard Political Review, "Not our backyard but still our neighbors," http://webcache.googleusercontent.com/search?q=cache:wsBUXHiIWEkJ:harvardpolitics.com/world/not-our-backyard-but-still-our-neighbors/+&cd=21&hl=en&ct=clnk&gl=us) // RH
As the revolt in Quito showed, despite the gains in democracy, **Latin America appears to be as volatile as it was thirty years ago**. All it took for an attempt to shutdown the democratic regime in Ecuador was an unpopular austerity measure that looked to cut benefits for public servants. Faced with social distress, mobilization into militant revolts still appears to be a viable option for dissidents, just as it was under the authoritarian regimes and corrupt democracies of the previous century. As Honduras demonstrated to the world in the summer of 2009, **military overthrows of democracies still happen in the western hemisphere, right on the United States' doorstep**. With vested military allies in neighboring nations Peru and Columbia, the United States revealed its continued interest in the stability of its southern neighbors by voicing its support for the Correa administration (despite the Chavez-leaning tendencies of the aforementioned leftist president). And there is ample reason that the US should care. President Correa of Ecuador being taken from hospital where he was held hostage by revolting police. **With newly appointed Colombian president** and US ally Juan Manuel Santos **on the verge of** realizing the goal of the Plan Colombia legislation and f**inally ridding his nation of its FARC menace** and making large gains in the war on illegal drug trafficking, **there is little room for unrest in the region**. Couple that with the United States' large military presence in Colombia and Peru, and there is genuine reason for the US to take a general interest in the maintenance of stability in the region. **With Nicaragua, Venezuela, Bolivia, and Ecuador all fronted by heads of state who are decidedly anti-America** and marred by large disparities in wealth as well as exorbitant rates of subsistent poverty, **the tension for a potential destabilizing event remains a very real fear**. **With the withdrawal of troops from Afghanistan and Iraq underway**, **Washington does not want to have to deal with a** refugee crisis in one of its southern allies or **a failed state in the western hemisphere**. The rise of popularly elected figures like Chavez and Correa who run on anti-American platforms implies a general animosity towards continued American influence in Latin America, and whose to say that this anger could not be channeled into a militant organization a la Al Qaeda or Al-Shabaab. **A failed state in the Latin America could spell disastrous for the US in a world** as **interconnected** as our own. Whereas enemies from across the Atlantic are one thing, **having terrorism emerge from a neighbor** in the West **would be** both horrifying and **a direct slap in the face of America's movement towards world democracy.**

Kimberly **BREIR 17**. Director, US-Mexico Futures Initiatives, Center for Strategic and International Studies; MA, Latin American Studies, Georgetown. "What Could a U.S.-Mexico Partnership Look Like? New Approaches Could Advance Cooperation With Mexico." Global Trade. January 3. http://www.globaltrademag.com/global-trade-daily/u-s-mexico-partnership-look-like. // RH
There have been other encouraging signs as well. **Mexico's Congress is no longer the rubber stamp it once was. And, in 2012, Mexico's main political parties passed a reform platform** under the Pact for Mexic**o focused on much-needed internal reforms including** in the areas of **education, labor, the electoral system, fiscal policy, telecommunications, and** the historic **opening of the energy sector to private investment. Overall, Mexico is a more democratic country now** than it was 20 years ago, although with all of the fits and starts that comes with it.¶ Mexico's economy has also been dramatically transformed over this same period. Prior to the 1990s, Mexico's economy was largely closed to imports, including from the United States. The **North American Free Trade Agreement (NAFTA) played a transformative and positive role in opening up the Mexican economy, creating jobs, and in the expansion of Mexico's middle class**. Mexico now has 10 free trade agreements involving 45 countries and a host of other investment deals involving another 33. On economic policy in recent years, Mexico has moved to increase competition in telecommunications as well as undertaking the historic opening of the energy sector to private investment following the nationalization if the 1930s.¶ Stalled progress and a critical window of opportunity¶ **Despite the fast-forward transformation of the economy and political system, the reform process for law enforcement and the judiciary is often described** by Mexican analysts, foreign investors, and more importantly by public opinion **as more disappointing**. Despite numerous restructurings of law enforcement, insecurity prevails in many parts of the country. The landmark judicial reform passed in 2008 that is transforming the judiciary from a closed inquisitorial system toward an adversarial model is yet to be fully implemented. The slow progress on rule-of-law issues has created enormous opportunity costs for Mexico in terms of trade and investment, and public confidence in institutions remains low.¶ **The next two years** in Mexico **are a critically important window for reform** implementation. Moreover, **the population's perception of** the **success** of implementation **may be even more important** than

formal passage of reform bills into law. Justice reform implementation amid continuing impunity for the political class will not be perceived as a real change. Energy and telecommunications **reforms that do not deliver benefits** to average Mexicans **are not** likely to be **seen as transformative**, even though the rules on paper are a dramatic departure from the status quo ante. A failure by the Mexican government to fundamentally shift the momentum against the cartels and against corrupt practices in the public sector will further erode confidence in institutions and governance. The opportunity to strengthen the Mexican state and consolidate the reforms rests in the hands of the Mexican political class.¶ Much of **Latin America has seen the winds of political change blowing through the region** in the past two years. For **Mexico**, it may well be that public perception of the political class and its **actions** in the next two years **will influence how strong the winds** of change **blow** in Mexico in 2018. This is of critical importance to the United States, because political uncertainty on the southern U.S. border could impact bilateral cooperation across the range of issues in the relationship.¶ The U.S.-Mexico relationship¶ As one of only two land neighbors, **Mexico is a critical partner** of the United States **on** both **national security** and economic security. Despite this fact, U.S. policy toward Mexico often lacks a big-think vision that recognizes both the breadth and depth of issues that matter greatly to the American people. The relationship often gets out of balance and ends up in a reactive, tit-for-tat cycle. This is deeply counterproductive and must be avoided if for no other reason than to ensure that the two governments deliver results.¶ The **priorities outlined by** President-elect **Trump** during the campaign, including immigration reform and border security improvements, suggest a quick focus on Mexico. Done carefully, an immigration reform **can be a win-win**, and border security upgrades would include not only more physical barriers, but stepped-up cooperation and a focus on border infrastructure. Any border security measures must take into account that $2.4 billion worth of goods cross the United States' northern and southern borders every day. The goal should be to balance security challenges with the needs of cross-border commerce that are fundamental to the U.S. economy.¶ In fact, the Trump administration has a great opportunity to put serious attention on border infrastructure, which is a long-neglected issue and a drag on U.S. competitiveness. Mexican and Canadian leaders have also made infrastructure a priority and cooperation in this area could present an early win all around. The three countries need to work together to prioritize what new points of entry are needed and also on how to fund new projects. Recent estimates suggest that border infrastructure improvements in North America could increase U.S. GDP by one percentage point, or about $220 billion a year, creating new jobs along with it.¶ The Trump campaign emphasized the need for the United States to get better deals on trade. If it pursues trade discussions, they must be framed by the reality that the U.S. economic relationship with Mexico is not a zero-sum game. U.S. companies and the products they produce are competitive in the global economy in part thanks to imported components from Mexico and Canada. In fact, **the private sectors in the United States and Mexico and Canada not only trade with each other, but make products together with supply chains that are deeply integrated.** Those ties have made the United States more competitive in the global marketplace, and far from being a net liability, are an asset.¶ The starting point of any discussions should also recognize that NAFTA dramatically increased U.S. exports to Mexico. I**n 1992, prior to NAFTA, U.S. exports to Mexico totaled about $42 billion. In 2015, the United States exported goods and services valued at $267 billion, making it the United States' second-largest export market and the source of millions of U.S. jobs. The total two-way trade in goods and services in 2015 was over $580 billion**.¶ While it is not clear what the priorities the administration would have in a NAFTA discussion (Mexico gave up more on tariffs than did the United States in 1993), it is important to recognize that all parties agree that NAFTA could be looked at with modern eyes and that there is an opportunity to do this in a win-win-win fashion. In fact, the three countries already began to modernize the deal, under the talks for the now-stalled Trans Pacific Partnership (TPP). TPP talks included Canada and Mexico and all sides agreed to add new labor and environment provisions, as well as subjecting them to dispute settlement mechanisms. Additional low-hanging fruit of a NAFTA discussion could include issues as mundane as visa categories—occupations that exist now in the technology sector, for example, did not exist 22 years ago.¶ When NAFTA was conceived, the internet did not exist. New rules are needed for sectors like e-commerce. Mexico's energy sector was not open to private investment when NAFTA was negotiated. The three countries now have the opportunity to work together toward North American energy independence with all of the positive geostrategic implications that could have.¶ Done properly, both the United States and Mexico (and Canada) could find benefits from the process of updating the trade relationship and addressing issues including the skills gap across the continent, particularly in manufacturing. For those that have lost jobs due to globalization, the three countries could revisit adjustment assistance and job-training programs to help our three societies better adapt and ensure that skills match jobs already available. According to recent estimates, the number of manufacturing jobs unfilled in the United States because of a skills gap numbers in the millions. North America has the opportunity to tackle these issues as allies, not competitors.¶ Further, **Mexico's prosperity is in the interest of the U**nited **S**tates. **A stronger Mexican economy** means fewer Mexicans will leave their homes seeking opportunity in the United States. (Net immigration flows from Mexico are already less than zero, according to a 2015 Pew study.) **Strong growth and job creation in Mexico also spur the expansion of Mexico's middle class and make Mexico a better partner as citizens' demands, for improved security and rule of law** for example, **dovetail with U.S. security interests**.¶ Outside of the economic relationship, the United States has a direct stake in Mexico's success in **strengthening** its **security and rule of law**. The U.S. Mérida Initiative was conceived to support implementation of Mexico´s rule-of-law reforms, recognizing the fundamental importance of working with Mexico to **address organized crime**, violence, and impunity and its effects in both countries. There is much more that could be done **to weaken the influence of** the **cartels** responsible for exporting drugs into the United States, but success will depend primarily on U.S.-Mexican intelligence and law enforcement partnerships and the mutual sharing of information. That is, success in this area will center around trust and would be at risk in a climate of confrontation.

Byron **RAMIREZ 16**. Adjunct Professor of Strategic Management, University of La Verne; PhD, Economics and Political Science, Claremont Graduate School. "The Criminal and Terrorist Threat of Narco Submarine Technology." Geopolitical Monitor. June 7. https://www.geopoliticalmonitor.com/the-criminal-and-terrorist-threat-of-narco-submarine-technology/. // RH

The conceivable threats to international security become increasingly complex and acute when we recognize that some **drug trafficking organizations have been linked with terrorism**. For over 50 years, FARC has carried out bombings, extortions, assassinations, and kidnappings throughout Colombia. In an effort to finance its agenda, FARC has engaged in drug trafficking operations **that include** the **use of narco submarines**. **There are** also the cases of individuals with suspected **ties to Al-Qaida, the Taliban, and Hezbollah** who have been involved in drug related activities. Some of these funds from drug trafficking activities have been used to finance terrorist activities.It is not clear to what extent criminal organizations are involved in financially, logistically, and operationally supporting the efforts of terrorist groups. Yet, there are indications that **these networks could facilitate** the **movement of** terrorist **operatives or w**eapons of **m**ass **d**estruction **toward U.S. borders** as well as high-value targets in the Western Hemisphere. Despite the fact that law enforcement has seized several vessels, many other **narco sub**marine**s** have **travel**ed **undetected and** almost completely **unrestricted**. **This makes them increasingly perilous to international security**. It is feasible that **criminal-terrorist cooperation could deliver great damage** via the use of narco submarines **that could** carry weapons or parts of **weapons of mass destruction, biological warfare agents, and chemical weapons. Terrorist organizations have in the past used the** international illicit marketplace to finance their activities, purchase equipment, and potentially **could deploy narco sub**marine**s as vessels of mass destruction**. Hezbollah has supporters in Lebanese diaspora communities in Latin America. There have been illicit activities such as money laundering and drug trafficking in the Tri-Border Area of Argentina, Brazil, and Paraguay, which generated revenue that was later transferred to Hezbollah. For decades, **Iran has funded, provided weapons, and trained terrorists**. During the past several years there has been increased cooperation between Iran and Ecuador, Nicaragua, Venezuela, and Cuba. Although the nature of the cooper ation appears to be related to economic exchange, it is important to realize that other types of cooperation could potentially exist between individuals from these countries which could in turn pose threats to U.S. national security and the security of other countries in the region. Furthermore, there are some recent cases of terrorists who have traveled to Latin America and have been arrested near the U.S. border. Narco submarines constitute an eminent threat when we consider that their design and technology have evolved, and thus they are proficient in avoiding detection and capture. **These vessels are equipped with advanced navigation** systems, **satellite communication, and radars**. **They can travel long distances undetected** evidenced by the copious narco submarines that have been detected throughout the Pacific Ocean and Caribbean Sea. A terrorist group such as FARC could feasibly collaborate with Al Qaeda or Hezbollah and equip narco submarines with added technical features that would enable terrorist organizations to launch destructive attacks on U.S. targets throughout the Americas. **Given their capacity** to travel long distances, narco **sub**marine**s could** also **be deployed to European coasts** and coastal cities. In addition to carrying biological and chemical weapons, narco submarines could also transport terrorist operatives to target locations.

Kimberly **Amadeo**, 4-24-20**18**, "6 Things NAFTA Does," Balance, https://www.thebalance.com/nafta-definition-north-american-free-trade-agreement-3306147 // RH

The North American Free Trade Agreement is a treaty between Canada, Mexico and the United States. That makes NAFTA the world's largest free trade agreement. The gross domestic product of its three members is more than $20 trillion. NAFTA is the first time two developed nations signed a trade agreement with an emerging market country. **The three signatories agreed to remove trade barriers between them. By eliminating tariffs, NAFTA increases investment opportunities**. The NAFTA agreement is 2,000 pages, with eight sections and 22 chapters.

Savard 17 (Corey, Journalist and Digital Content Specialist, citing multiple experts and professors, "US-Canada Relations Hinge On NAFTA Cooperation", 05/14/2017, https://www.huffingtonpost.com/entry/the-canadian-economy-hinges-on-nato-cooperation_us_5918be65e4b0bd90f8e6a6a1

The state of American-Canadian relations is at a critical point. U.S. President Donald Trump campaigned on an "America first" platform, with calls to dramatically alter the North American free-trade Agreement with Canada and Mexico. This has sent alarms off in Canada, with Prime Minister Justin Trudeau quick to quell uncertainty surrounding President Trump's rhetoric ahead of the P.M.'s first trip to the White House on Feb. 13. While former House Speaker and Trump surrogate Newt Gingrich has also assured that Canada will be virtually unscathed, those north of the border are still fully aware that they are a mouse in bed with an elephant. The Myth of U.S. Reliance on Trade with Canada Rahim Madhavji, President of Toronto-based Knightsbridge Foreign Exchange, is not buying the positive talking points being pushed in Canadian parliament and sees a serious threat to economic output north of the border. "Trump is a wildcard and everyone needs to pay attention," Madhavji says. **"I think we're going to see a lot of volatility for the loonie as trade rhetoric plays out in the open. Any trade war will be negative for the Canadian dollar. Period. Canada needs to ensure it makes a good deal on NAFTA with the USA otherwise economic prospects and the Canadian dollar will be hurt.**" The Canadian government constantly reminds citizens that **Canada is the U.S.'s largest trading partner with 35 states reliant on exporting across the border and that opting out of NAFTA would be far more detrimental to Americans**. This is a fallacy. Not only is the U.S. the largest economy in the world with the highest GDP which makes the states perfectly able to trade between each other, in fact, only Michigan and Vermont has an annual economic output that depends on trade with Canada that exceeds 10 per cent. "Canada-U.S. trade matters much more for Canada than the United States," University of Calgary economics professor Trevor Tombe told The Globe & Mail. On the other hand, a volatile loonie is a thorn in the side of Canadian manufacturing because the country's largest provinces rely on steady cross-border trade with 49 per cent of Ontario's GDP, as well as 23 percent for Quebec, and 31 percent for Alberta. Tombe sees the potential for further disputes as the Trump administration seeks to tighten borders and ramps up his protectionist rhetoric. Trade War Few Canadians remember an uneasy trade relationship with the U.S., but as President Trump continues to press both P.M. Trudeau and Mexican President Enrique Pena Nieto for a renegotiation of NAFTA, it has the potential to set off a nasty trade war. Tweaking of the deal can only occur in August at the earliest, that's if Trump immediately sent a 90-day notice to Congress. However, he hasn't as of yet because U.S. lawmakers have been slow to approve the contents of the letter. Trump will need to act quickly with his proposed changes to NAFTA before the Mexican election, in which President Nieto is likely to be voted out due to increasing public unrest over gas prices. The next president may not be as willing to cooperate with Trump who seeks to build a wall that physically and psychologically separates the two nations. **In Trump's first escalation with Canada, he slapped a 24 per cent tariff on Canadian lumber, which he says was necessary because American workers have suffered from unfair subsidies north of the border where there is cheap access to public land**. A trade war, in which one country deliberately hurts another country's exports in order to embolden their own for autarky goals, results in the other country responding by doing the same. A trade war should be avoided, especially if one country has all the cards, like in U.S.-Canada relations. Despite Canada surely coming out as the loser in this event, a Nanos Research survey from early this year found that "58 per cent of Canadians surveyed would 'support' or 'somewhat support' Canada having a trade war with the U.S." While only 35 per cent opposed escalations. Even with a tariff on Canadian lumber, White House press secretary Sean Spicer responded with a dismissive "no" when a reporter asked about the prospect of a trade war. Indicating that existing trade remedy procedures have been effective. "That's why we have dispute-settlement mechanisms to do this in a responsible way," Spicer said. "Let's let it play out. But I think secretary [Wilbur] Ross took appropriate action to protect the U.S. industry and we're going to let the process play out." Canada, however, is not ready to stand by idly with Trump's action remaining unchecked. **The Canadian government proposed last week that retaliation can come in two forms: a ban on coal exports to the U.S. from B.C. and a study on potential duties on products from Oregon**. The reason for targeting the state of Oregon is Democratic Sen. Ron Wyden. The senator has been an outspoken opponent of softwood lumber settlement in his state, so sources telling the Canadian Press have brought up the potential for an investigation into hefty duties on flooring, plywood, wood chips, packing and wine from Oregon. U.S.-Canada Relations going Forward Canada's biggest allies are senators and governors of northern border states as other factors beyond trade such as tourism and cross-border shoppers are an intrinsic part of the economies in Michigan, Washington and New York State. It may be difficult for Canada to implement punitive tariffs without first complaining to the World Trade Organization about President Trump's emotionally fueled actions and how the president has little comprehension of the U.S.-Canada trade relationship. It's important to note that cross-border trade between the two nations have not always been smooth. In 2005, Canada's former agricultural minister Ralph Goodale was embroiled in a dispute over the Byrd Amendment, a U.S. law implemented to funnel crash from tariffs on foreign goods to American companies. This pushed Goodale and the Liberal government to compile a list of states that would be targeted with punitive measures, that would in turn, have little blowback effect on Canada. However, trade hostilities did not last long which started as restrictions on U.S. motorboat imports and was eventually reduced to heavy tariffs on innocuous imports like tropical fish. Whatever measures are implemented, PM Trudeau will have to weather a fluctuating dollar due to President Trump venting his trade qualms to the press. That's why it will require a hand and tough negotiating if the three member nations of NAFTA do indeed meet to tweak the longstanding agreement in order to salvage the closest international relationship.

Scott **Beyer**, 8-3-20**17**, "Taken To The Woodshed: The Effect Of Trump's Timber Tariffs," https://marketurbanismreport.com/taken-woodshed-effect-trumps-timber-tariffs/ // RH

The problem is that shutting off Canada, in particular, will inflict costs on many more Americans who don't work in the timber industry**. Canada is the world's largest exporter of lumber. The U.S. is by far its largest market, accounting for 80 percent of these export sales, most of which go towards home construction**. Depending on the year, **Canadian lumber accounts for between a quarter and a third of the lumber used in the U.S**. Only a few percentage points of America's timber supply comes from overseas. And while some parts of the U.S.—namely the Pacific Northwest and northern California—have strong production, many other parts—such as the aforementioned southwest—are practically barren. Given these figures, it's easy to see how the duties on Canada could affect timber prices—and home prices at large. In fact, it's already happening. According to a recent report by the National Association of Home Builders, **timber prices began skyrocketing at the beginning of 2017**. This was **in response to a U.S.-Canada trade agreement between 2006 and 2016 that had just expired, raising fears about possible retroactive duties.** Prices have continued to climb following the Trump tariffs. Between January and mid-May, reports Bloomberg, **timber prices jumped 18 percent**, to $369.70 per 1,000 board feet. **The price surge has not been because Canadian timber supply fell off the market in response to the regulatory barriers but because the timber overcame these barriers, and is being bought at a premium by builders. "You're seeing the U.S. consumer really bear the brunt of the tax at this point in time**, more so than the Canadian producers," said Mason, "because we've seen the lumber prices go up quite a lot, and basically offset the cost of the duties." **Considering that lumber accounts for roughly 10 percent of construction costs already, these higher prices are significant. They come at a time of high housing demand in America, when all the more lumber is needed**. Median home prices at the national level, and in many major metros, have risen from their 2012 dropoff, back up to around their pre-recession levels. After bottoming out in 2009, the number of new housing permits has increased each year since then. Goldman Sachs estimates that housing starts will jump by another nine percent this year. The tariffs also come at a time when other regulations make the housing market that much more competitive and expensive than it already needs to be. These regulations range from lengthy approval periods, to zoning that limits supply, to immigration laws that cause construction labor shortages. Trump's tariffs, while saving some jobs, will likely add to this government-imposed state of distortion, and to increased costs. "**Any time you add a tariff**," concluded Williamson, "**the end consumer gets a bigger bill.**"

Villareal, M., and Ian F. Fergusson. "The North American Free Trade Agreement (NAFTA)." (20**17**). https://fas.org/sgp/crs/row/R42965.pdf

Two-way investment has also increased markedly since NAFTA, both in terms of stock and flow of investment. The United States is the largest single investor in Canada with a stock of FDI into Canada reaching $352.9 billion in 2015, up from a stock of $69.9 billion in 1993 (see Table A-4). U.S. investment represents 49.4% of the total stock of FDI in Canada from global investors. U.S. FDI flows into Canada averaged $3.28 billion in the five years prior to the FTA, and actually fell to an average of $1.7 billion in the first six years of the FTA, mainly attributed to divestments of U.S.-owned branch plants in Canada. However, **U.S. flows into Canada have increased markedly to an average of $20.1 billion during the 10 years from 2005-2015.82 The stock of U.S. FDI is now equivalent to 22% of the value of Canadian GDP, in contrast to 1% at the beginning of the FTA.** While Canada is not the largest investor in the United States, **the United States was the largest destination for Canadian FDI in 2015 with a stock of $269.0 billion, an increase from $26.6 billion in 1988.83 Approximately 42.2% of Canadian FDI was invested in the United States in 2014.** Canadian FDI flows into the United States annually averaged $2.3 billion in five years prior to the FTA, and an annual average of $1.8 billion during the FTA years, but more recently **increased to an annual average of $9.9 billion in the 10 years to 2015. These trends highlight the changing view of FDI among Canadians, from one that could be considered fearful or hostile to FDI as vehicles of foreign control over the Canadian economy, to one that is more welcoming of new jobs and techniques that result from FDI.**

Josue **Gonzalez**, 10-4-20**17**, "NAFTA's Economic Impact," Council on Foreign Relations, https://www.cfr.org/backgrounder/naftas-economic-impact // RH

Canada has seen strong gains in cross-border investment in the NAFTA era: Since 1993, U.S. and Mexican investments in Canada have tripled. **U.S. investment, which accounts for more than half of Canada's FDI** stock, **grew from** [PDF] **$70 billion in 1993 to over $368 billion in 2013**. However, the most consequential aspect for Canada—opening its economy to the U.S. market, by far Canada's largest trading partner—predated NAFTA, with the 1989 entry into force of the Canada-U.S. Free Trade Agreement (CUSFTA). Overall Canada-U.S. trade increased rapidly in the wake of Canada's trade liberalization. **Post-NAFTA, Canadian exports to the United States grew** [PDF] **from $110 billion to $346 billion, while imports from the United States grew by almost the same amount.**

Josue **Gonzalez**, 10-4-20**17**, "NAFTA's Economic Impact," Council on Foreign Relations, https://www.cfr.org/backgrounder/naftas-economic-impact // RH

Agriculture, in particular, saw a boost. **Canada is the leading importer of U.S. agricultural products, and one of NAFTA's biggest economic effects for Canada has been to increase bilateral U.S.-Canada agricultural flows. Canadian agricultural trade with the United States more than tripled since 1994, as did Canada's total agriculture exports to NAFTA partners.**

Loungani, Prakash, and Assaf Razin. "Finance and Development." *International Monetary Fund*. International Monetary Fund, June 20**01**. Web. 28 Apr. 2018. <http://www.imf.org/external/pubs/ft/fandd/2001/06/loungani.htm>.

To what extent is there empirical support for such claims of the beneficial impact of FDI? A comprehensive study by Bosworth and Collins (1999) provides evidence on the effect of capital inflows on domestic investment for 58 developing countries during 1978-95. The sample covers nearly all of Latin America and Asia, as well as many countries in Africa. The authors distinguish among three types of inflows: FDI, portfolio investment, and other financial flows (primarily bank loans). **Bosworth and Collins find that an increase of a dollar in capital inflows is associated with an increase in domestic investment of about 50 cents.** (Both capital inflows and domestic investment are expressed as percentages of GDP.) This result, however, masks significant differences among types of inflow. **FDI appears to bring about a one-for-one increase in domestic investment;** there is virtually no discernible relationship between portfolio inflows and investment (little or no impact); and the impact of loans falls between those of the other two. These results hold both for the 58-country sample and for a subset of 18 emerging markets. (See Chart 2.) Bosworth and Collins conclude: "**Are these benefits of financial inflows sufficient to offset the evident risks of allowing markets to freely allocate capital across the borders of developing countries? The answer would appear to be a strong yes for FDI."**