NAFTA Round Three: As talks restart in Ottawa, Canadians prioritize labour standards, Chapter 19

September 23, 2017 – As Canada’s negotiating team prepares for a third round of meetings with Mexico and the United States this weekend in Ottawa, Canadians are weighing in on what they want to see their negotiating team focus on – and fight hardest for – in an updated North American Free Trade Agreement (NAFTA).

And while talks thus far have been more stalemate than checkmate, this latest survey from the Angus Reid Institute finds Canadians’ top priorities to be ensuring labour standards are equal across all three countries, and securing so-called ‘Chapter-19’ provisions – that anti-dumping and countervailing duties are only applied on Canadian assets when warranted.

Where many find less value is in the push for the inclusion of two new chapters in NAFTA – one on gender equality and the other on Indigenous rights. Both options receive relatively muted support, and the most criticism from those Canadians who say the government has chosen the wrong priorities.

This two-country poll also finds – perhaps unsurprisingly – those in the U.S. vastly underestimate the important trading relationship most of the 50 states hold with Canada. While 35 states trade more with this country than any other, few south of the 49th parallel demonstrate knowledge of this fact. Once made aware of this association, Americans appear more likely to say their country would be hurt if NAFTA ended.

Canadians, on the other hand, express no shortage of worry about the same: six-in-ten fear their country will be harmed if a deal cannot be agreed upon. This, amid escalating tensions and fresh threats of withdrawal from US President Donald Trump.

METHODOLOGY:

The Angus Reid Institute conducted an online survey from September 12 – 18, 2017, among a representative randomized sample of 1,534 Canadian adults who are members of the Angus Reid Forum, as well as an online survey on September 15 – 18, 2017, among a representative randomized sample of 1,009 American adults who are members of Springboard America. For comparison purposes only, probability samples of this size would carry margins of error of +/- 2.5 and +/- 3.1 percentage points, respectively, 19 times out of 20. Discrepancies in or between totals are due to rounding. The surveys were self-commissioned and paid for by ARI. Detailed tables are found at the end of this release.
More Key Findings:

- Half of Canadians (47%) say that over the past two decades Canada has seen an overall benefit due to its participation in NAFTA. Just one-in-five (21%) Americans feel the same way about their country.

- While more than half of respondents in each country say their team will get some of what it wants out of a new NAFTA, Americans are three times as likely to say their country will get most or all of what it wants.

- Asked to choose between maintaining Canada’s high tariff on dairy, poultry, and eggs or getting a better deal on softwood lumber, Canadians narrowly prefer the latter (45% versus 55%, respectively).

INDEX:

- Part 1 – Round Three Roadmap – where do Canadians place priority?
- Part 2 – Does either side understand the trade relationship?
- Part 3 - Moderate confidence in the team for both US and Canada
- Part 4 – Perceived impacts of NAFTA, consequences of potential failure

Part One – Round Three roadmap – where do Canadians place priority?

The first two rounds of NAFTA renegotiations have been memorable as much for their bluster as business discussions. US President Donald Trump threatened to pull out of the agreement, tweeting that Canada and Mexico were being "very difficult".

For his part, Canada’s Prime Minister Justin Trudeau has shrugged off any concerns that the US would end NAFTA, stating that his government will negotiate in good faith and has confidence that they will find a positive outcome.

Perhaps because of the profile of the US President and his recent comments targeting this country, more than half of Canadians (55%) say that they have been following these negotiations at least somewhat closely. (By contrast, twice as many Americans say they are paying “no attention at all” (35% versus 18%).

The end of the Mexico City round of trade talks between Canada, Mexico and the United States appeared to foreshadow an increase in pace and intensity when negotiators reconvene in Ottawa. All eyes, then, on round three.

But what about the substance of the deal?

Canada’s negotiating team released a broad set of objectives ahead of the tri-lateral meetings, stating that it hoped to modernize NAFTA and protect Canada’s unique interests along the way. The Angus Reid
Institute presented Canadians with ten of these objectives, asking them to rate each as a major, minor or non-priority.

**Major priorities**

At the top of the list, seven-in-ten say that Canada should attempt to secure tougher labour standards across the three participating nations. Thus far, this objective has been a source of tension. Mexican leaders have been defensive on labour laws, claiming that pressure to increase wages will handcuff businesses in the country.

> “Let each country respect its labour issues” – Bosco de la Vega, Head of Mexico’s Agricultural Council

<table>
<thead>
<tr>
<th>Objective</th>
<th>Major (%)</th>
<th>Minor (%)</th>
<th>Non (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishing tougher labour standards to protect workers in each country</td>
<td>69</td>
<td>26</td>
<td>5</td>
</tr>
<tr>
<td>Chapter 19 - Ensure anti-dumping and countervailing duties are applied only when warranted</td>
<td>67</td>
<td>27</td>
<td>6</td>
</tr>
<tr>
<td>Enhanced environmental provisions</td>
<td>64</td>
<td>27</td>
<td>9</td>
</tr>
</tbody>
</table>

In a statistical tie for top priority is Chapter 19, a provision that allows for dispute resolution with respect to countervailing duties and anti-dumping claims. The United States fired an opening salvo, stating that it would **seek to eliminate** the appeal mechanism, while Canada responded by saying this was a non-starter, and the **provision must be maintained**, given its use to this country.

Indeed, the appeal panel has been successfully used by Canada in negotiations over softwood lumber numerous times. So important is this provision, New Brunswick Premier Brian Gallant traveled **multiple times** in recent months to Washington to discuss this issue, after the US added a **31 per cent tax** on timber imports earlier this year. British Columbia Premier John Horgan **has done the same**, traveling to Washington in one of his first acts after taking office in July.

Also, nearly two-thirds of Canadians also say they prioritize the creation of enhanced environmental protections (64%). Canada has voiced concern over the comparative advantage that producers may gain if they are able to exploit lower standards, and seeks to codify higher standards.
A similar number also say that Canada should make protecting its supply management system a high priority. This policy, regulating poultry, dairy, and egg farmers, has been the subject of attacks by the United States, which would like to gain more access to the market. Prime Minister Trudeau has staunchly defended the system, but the Angus Reid Institute recently found that – while Canadians are protective of it – most say that it should at least be available as a bargaining chip during negotiations.

Related: Majority say Supply Management should be on the table during NAFTA talks

Would you say each of the following objectives is a major, minor, or non-priority?

- The protection of Canada's policy regulating poultry, dairy, and egg farmers
  - Major: 62%
  - Minor: 28%
  - Non: 10%

- Expand procurement - meaning, Canada would like the US to soften "Buy American" rules at the state and local levels
  - Major: 57%
  - Minor: 36%
  - Non: 7%

- Reforms to the investor-state dispute settlement process
  - Major: 57%
  - Minor: 38%
  - Non: 6%

Notably, when asked which objective should take precedence, the protection of supply management or a better deal on softwood lumber – a majority say timber should be the focus, including 57 per cent of Atlantic Canadians and seven-in-ten (71%) B.C. residents:

Suppose you could only choose one objective of these two. If that were the case, which one would you prefer to see Canadian negotiators give preference to during renegotiations:

- Getting a better deal on softwood lumber
- Maintaining a high tariff on Canada's dairy, poultry and eggs
Further down the importance list, one of the major changes Canada’s negotiating team is pushing for is a renovated Chapter 11. This issue involves the investor-state dispute settlement processes, under which Canada has been sued significantly more than the United States and Mexico. This includes being sued in 2000 by UPS, which claimed Ottawa was favouring Canada Post’s courier services. More than half of Canadians say this is a major priority, while fewer than four-in-ten (38%) say it’s minor.

Under the current rules, companies are able to seek arbitration if they feel a government decision or regulation has hurt their business. Canada would like to create a panel of judges from the three nations to oversee cases, and to ensure that each country is allowed to regulate in its own self-interest.

Similar prioritization is voiced for expanding procurement, meaning state and local governments in the United States would not be required to ‘Buy American’, and could look elsewhere for goods and services. The US has stated that this is “non-negotiable”.

“Political junk food... superficially appetizing, but unhealthy in the long run.” – Foreign Affairs Minister Chrystia Freeland on restricting government procurement

Minor Priorities

At the lower end of the priority list for Canadians – the pursuit of NAFTA chapters on gender equality, protecting so-called “CanCon” rules and a focused chapter on Indigenous rights.

On gender equality, the government has yet to release specific details about what such a chapter would entail, but the Conservative opposition has criticized the announcement Canada would seek the its inclusion in a revamped NAFTA. Canadians themselves do not see this issue as most important. Four-in-ten (46%) rank it as a “major” priority while the majority say it should be either a minor priority (34%) or not a priority at all (20%).

One of the trade irritants listed by the United States in it’s 2017 Foreign Trade Barriers report is Canadian content or CanCon rules. These regulations ensure that a certain portion of broadcasting content is of Canadian origin or production. Hinting at what Canadians may be prepared to see their negotiators bargain away: just under half of Canadians say protecting these rules is a minor priority.

Related: Canadians back continued CRTC regulation, but not for online content
Fully half of Canadians (52%) say that making it easier for professionals to move freely between NAFTA nations for work should be a minor priority. Comparatively, this issue ranks ninth out of ten on the ‘major’ priority list. As it is currently written, NAFTA includes a list of professions for which a working visa is easily attainable. The Canadian team says it would like to expand and update that list to include newer professions.

The lowest priority objective appears to be the government’s request for a chapter focusing on the rights of Indigenous peoples in each country. National Chief of the Assembly of First Nation’s, Perry Bellegarde, who is a member of the negotiating team, has stated that such a chapter is “crucial” for Indigenous peoples. Close to an equal number of Canadians say this is a major (39%) or minor priority (36%), while this objective receives the highest percentage of those saying it is not a priority (25%).

After presenting the list of the objectives outlined by Canadian negotiators, the Angus Reid Institute asked Canadians about the overall approach. Few (11%) say they’re disappointed, while the majority say it’s a mix of some good and some bad. Three-in-ten (32%) say the government has hit the mark:
Now that you have seen the negotiating objectives, what would you say is your opinion of the overall approach Canada's trade representatives are taking in these negotiations? Is it:

- A strong approach with the right objectives (11%)
- Some of it is good, some of it is bad (32%)
- Disappointing, they're focusing on the wrong objectives (57%)

Among those who say Canada’s objectives are not well chosen, just over half say Indigenous rights (53%) and gender equality (48%) should not be a focus. As is often the case, political preference drives opinion. Past Conservative voters are significantly more likely than past Liberal or NDP voters to be nonplussed by the objectives. (see comprehensive tables for more detail).

Percentage who say each objective should not be a priority at all - by those who say they are 'Disappointed' with the governments objectives

- The inclusion of a Chapter in NAFTA that focuses on Indigenous rights: 53%
- The inclusion of a Chapter in NAFTA that focuses on gender equality: 49%
- The protection of Canadian content rules for publishing and broadcasting: 41%
- Enhanced environmental provisions: 34%
Part Two - Does Either side understand the relationship?

Significant number in each country lack understanding of trading relationship

The trading relationship between the United States and Canada has always been disproportionate. The sheer size of the U.S. economy in comparison to Canada’s, along with a larger population, more ports and another land border through which to export its goods, has created a situation in which Canada is much more reliant on the U.S. as an export destination than the reverse.

Roughly 76 per cent of Canada’s total exports are to the United States, just under $300B in value, while just 15 per cent of American exports are sent to Canada, a value of about $337B annually.

Asked for their own best guess at these percentages, respondents in Canada tend to underestimate the number of Canadian exports bound for their southern neighbour.

And, if you had to estimate, what percentage of total exports from Canada would you say go to the United States?

Correct Response = 76%

Respondents in the U.S. – likely by virtue of the comparatively small number of exports headed the other way – tend to overestimate.

In each country, roughly three-in-ten place their nation’s exports to the other in the correct range, as seen in the following graph:
Though Canada makes up a smaller piece of the American export pie than the U.S. does of Canada’s, the trade relationship between the two countries is still a major one from the American perspective. Canada is America’s second-largest trading partner, overall, with more than half a trillion dollars (U.S.) in cross-border trade in 2016. Only China has a larger total trade relationship with the U.S.

Moreover, the dollar value of American exports to Canada is highest – this country buys more than twice as many U.S. goods and services as China did in 2016.

Asked how many U.S. states have Canada as their top international trading partner, nearly three-in-four Americans (74%) estimate the number as fewer than 20. In fact, 35 states traded with Canada more than any other country in 2016.

Canadians are slightly better at estimating this number than Americans, but the majority still undershoot the correct answer, as seen in the following graph:

Of the 50 states, how many do you think have Canada as their top international trading partner?

CONTACT:
Shachi Kurl, Executive Director: 604.908.1693 shachi.kurl@angusreid.org @shachikurl
Part Three - Moderate confidence in the team for both US and Canada

So, who has the inside lane as the trio of countries enter round three of talks? Canadians and Americans appear to hold the same amount of confidence in their own teams at this halfway point in planned negotiations. While slightly more Americans (17%) say they are very confident in their government than Canadians (13%), the total number expressing some confidence is slightly higher north of the 49th parallel:

How confident are you in your federal government to effectively represent your country's national interests in these trade negotiations

Asked how their country will ultimately fair when the ink is dry on a hypothetical agreement, the largest group in each say that their country will achieve some of what they hope (52% US, 58% Canada) while three times as many Americans (15%) as Canadians (5%) say their country will get most or all of what they ask for during the coming months.

How do you think your country will come out of renegotiations, would you say the negotiating team will...

CONTACT:
Shachi Kurl, Executive Director: 604.908.1693 shachi.kurl@angusreid.org @shachikurl
Part Four – Impact of NAFTA, consequence of failure

Canadians say NAFTA has benefitted them; Americans? Not so much

In the more than two decades since NAFTA was ratified, has the pact been benefited or harmed the countries, regions, and individuals involved?

Canadians and Americans diverge significantly in their answers to this key question, with respondents north of the border more likely to say the deal has been beneficial to them and their country, and those to the south more likely to say it has been harmful.

As seen in the following graph, the number of respondents seeing a benefit from NAFTA grows in both countries as the community in question grows in size. That said, it rises considerably higher in Canada than it does in the United States:

Percentage saying NAFTA has 'benefitted' each of the following since being ratified:

- Your career or work opportunities (the jobs you perceive to be available to you):
  - Canadians: 14%
  - Americans: 8%

- Your household income:
  - Canadians: 15%
  - Americans: 8%

- The economy of your community or region:
  - Canadians: 33%
  - Americans: 15%

- The economy of your state/province:
  - Canadians: 42%
  - Americans: 18%

- The economy of your nation:
  - Canadians: 47%
  - Americans: 21%

Across the board, Americans are more likely to say NAFTA has hurt than benefitted, a finding reflected in the “momentum scores” (benefitted minus hurt) seen in the graph that follows.
Americans are also slightly more likely than Canadians to say either that tri-lateral free trade in North America has had “no impact” on each item canvassed, or to say that they are uncertain of what the impact has been. See Canadian and U.S. comprehensive tables for greater detail on this question.

What if NAFTA ended?

Given that Americans tend towards more negative views of NAFTA’s impacts on their lives and their country, it’s worth noting that they also tend to foresee negative consequences if negotiations were to fail. This could be due to the presentation of information about the relationship between Canada and the United States at the intermediate portion of the survey.

With this new perspective, Americans were asked to consider a scenario in which negotiations failed and NAFTA was ended – something U.S. President Donald Trump has repeatedly suggested could happen, though his power to do so without the support of Congress remains a subject of constitutional debate. Three-in-ten (30%) say their country would be ‘hurt’ by the failure to secure a new agreement. One-in-five (19%) say it would be a benefit, while 17 per cent perceive no real impact either way.

In this scenario, momentum scores – the total saying benefit minus hurt – in both countries are negative, but again Canadian views are far more pronounced, as seen in the following graph:
Suppose negotiators were unable to come to an agreement, and NAFTA was ended. If this were the case, what impact do you believe this would have on each of the following?

Momentum scores (‘benefit’ minus ‘hurt’ shown)

<table>
<thead>
<tr>
<th>Impact</th>
<th>Americans</th>
<th>Canadians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your career or work opportunities</td>
<td>-12</td>
<td>-3</td>
</tr>
<tr>
<td>Your household income</td>
<td>-16</td>
<td>-1</td>
</tr>
<tr>
<td>The economy of your community or region</td>
<td>-37</td>
<td>-7</td>
</tr>
<tr>
<td>The economy of your state/province</td>
<td>-49</td>
<td>-10</td>
</tr>
<tr>
<td>The economy of your nation</td>
<td>-51</td>
<td>-11</td>
</tr>
</tbody>
</table>

Again, Americans are more likely than Canadians to either say they are unsure what the impact would be, or to say that there would be no real impact either way (see U.S. and Canadian comprehensive tables).

The Angus Reid Institute (ARI) was founded in October 2014 by pollster and sociologist, Dr. Angus Reid. ARI is a national, not-for-profit, non-partisan public opinion research foundation established to advance education by commissioning, conducting and disseminating to the public accessible and impartial statistical data, research and policy analysis on economics, political science, philanthropy, public administration, domestic and international affairs and other socio-economic issues of importance to Canada and its world.

For detailed Canadian results by age, gender, region, education, and other demographics, click here.

For detailed U.S. results by age, gender, region, education, and other demographics, click here.
### Percentage who say each objective should ‘not be a priority at all’ in NAFTA negotiations

<table>
<thead>
<tr>
<th>Objective</th>
<th>Total (1,534)</th>
<th>Opinion of the governments negotiating objectives overall</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A strong approach (486)</td>
<td>Some Good/Some bad (876)</td>
</tr>
<tr>
<td>The inclusion of a Chapter in NAFTA that focuses on gender equality which would promote equal rights, treatment, and opportunity between men and women</td>
<td>20%</td>
<td>11%</td>
</tr>
<tr>
<td>The inclusion of a Chapter in NAFTA that focuses on Indigenous rights, ensuring that the concerns of these groups from each of the three countries are a part of a new agreement</td>
<td>25%</td>
<td>14%</td>
</tr>
<tr>
<td>Making it easier for professionals to move more freely to work across the border</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>The protection of Canada’s policy regulating poultry, dairy, and egg farmers. Americans would like more access to these markets, while Canada would like to maintain its quotas and tariffs</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>The protection of Canadian content rules for publishing and broadcasting</td>
<td>15%</td>
<td>8%</td>
</tr>
<tr>
<td>Establishing tougher labour standards to protect workers in each country - Canada is concerned that lower labour standards in Mexico allow that country an advantage in their producing costs</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Reforms to the investor-state dispute settlement process - this involves companies suing governments over the regulations they apply. Canada would like to ensure that governments maintain the right to regulate in their populations’ interests</td>
<td>6%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Percentage who say each objective should ‘not be a priority at all’ in NAFTA negotiations (continued)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Total (1,534)</th>
<th>A strong approach (486)</th>
<th>Some Good/Some bad (876)</th>
<th>Disappointing (172)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced environmental provisions to ensure no NAFTA country weakens environmental protection to gain a comparative advantage</td>
<td>9%</td>
<td>3%</td>
<td>6%</td>
<td>34%</td>
</tr>
<tr>
<td>Ensure anti-dumping and countervailing duties are only applied when warranted - this is the source of much of the conflict over Canada’s softwood lumber industry, where the US claims that Canada’s lumber industry is unfairly subsidized by our governments,</td>
<td>6%</td>
<td>4%</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Expand procurement - meaning, Canada would like the US to soften “Buy American” rules at the state and local levels. The United States is seeking to expand these rules.</td>
<td>7%</td>
<td>5%</td>
<td>7%</td>
<td>15%</td>
</tr>
</tbody>
</table>