To CETA or not to CETA

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Introduction:

As Canadians, we are facing a moment in time where new trade deals are coming fast and furious at us from our current Conservative federal government. The Comprehensive Economic Trade Agreement (CETA), a deal with the European Union, is being constantly pushed down our throats. We are now learning that the United States has asked Canada to join nine other nations in the Trans-Pacific partnership (TPP) after 12 rounds of negotiations have already been concluded without us, in order to create one of the largest free trade zones in the world. Four of these nine countries we already have a free trade deal with. This deal alone would compete with CETA in size and breadth but we do not know any more than that about it. Be careful though, the invite triggers a 90 day consultation period between the US congress and president Obama on the US's negotiating objectives with respect to Canada. But Canada must make improvements to "Domestic Procedures" before the US will officially allow Canada to join the talks. So what exactly does that mean? How many more rights are we giving up?

I believe that as Canadians we must truly understand what another free trade deal will do to average Canadians by looking at what impacts previous free trade deals have had on Canadians to date. By looking at issues such as the ever increasing wage gaps and strong indicators that show the current free trade deals have allowed ever increasing unfairness, then and only then may we be able to make an informed decision if another free trade deal like CETA would be of benefit to all Canadians. The alternative is having our current government, with their pro globalization ideologies, shoving another free trade deal negotiated behind closed doors onto unknowing people.

I conducted my research about CETA to ensure I was prepared for meetings with councillors by phone or face to face and, to be able to make persuading arguments for municipal councillors to pass a CLC motion against CETA. I found quite a few amazing things about CETA such as its myths as well as the past free trade agreements and their impact on CETA and CETA's impact on our current and future trade agreements. The following report will be split into 3 sections that should allow some reflection and discussion and allow some legitimacy to my critique whether CETA is beneficial or not, for average Canadians, not just corporations. The first of the three sections will show how our society has become less fair by reviewing some wage/ income distribution facts and proving the Occupy movements 1% vs the 99%. The second section will discuss how our current free trade deals stack up in making our society fair or unfair. The third section will deal with CETA itself and why this new deal is called NAFTA on steroids, like we haven`t had enough of the devastation of previous free trade deals like NAFTA. By the end of this paper, I do not think that you will need a PhD to figure out the implications for and against CETA, a deal that I believe will only exacerbate further our current economic unfairness by choosing again, another wrong path. Even though the OECD reported recently that Canada is an innovation and productivity laggard, our current and future free trade deals are not the path to greater economic prosperity.

Canada and Existing Trade Deals:

As we have seen over the last couple of years, the extreme gap between the rich and the poor as well as the elimination of the middle class has been front and centre around the world. Income distribution is becoming increasingly unequal. Being led by an unorganized and passionate youth movement, which seemed to have started with the uprisings in Tunisia, then to the Arab spring in Egypt`s Tahrir Square, to the Occupy movement in the US and in Canada to now the Maple Spring in Quebec, disenfranchised youth who see no future have led these movements facing the fact that their futures look very bleak especially in regards to wages and benefits concerning their future job prospects or lack thereof.

We see from a report done by Armine Yalnizyan on behalf of the Canadian Centre for Policy Alternatives (CCPA) titled ``The rich and the rest of us: The changing face of Canada`s growing gap`` March 1 2007, that the rewards from Canada`s booming economy up to 2007 has disproportionately gone to a select few. The report goes on to state that the majority of Canadian families are falling behind compared to a generation ago in the best of that economic time and that the next generation will probably be the first generation to be worse off than the previous generation. As a matter of fact, the income gap is at a 30 year high and shows that the rich are getting richer while the bottom half of Canadians have literally been shut out of any economic gains. The biggest problem I believe is that working more hours and more weeks is not going to solve any of these issues as has been shown, contrary to neo-liberal ideals. There have been strong economic conditions and a rising employment rate of the working age population but the fact of working more weeks does not mean more hours worked given the rise in part time, contingent work over the last 3 decades. When looking at ``The evolution of high incomes in North America: Lessons from Canadian Evidence`` by Emmanuel Saez and Michael R. Veall, we can see that this wage gap, as discussed in the previous article, shows that `the evolution of income inequality during this process of development has attracted enormous attention in the economics literature as well as the political sphere` (page 831), but not much for the working class. This study uses income tax statistics beginning in 1920 to `estimate a homogeneous series of income shares and income compositions for various upper income groups within the top decile` (page 831). The report goes on to show that over the last two decades, top income shares in Canada have grown immensely, almost as much as in the United States, and that this change has really not been taken note of because of the concentration of this wealth among the top percentile, the 1%, in Canada`s income distribution. The paper suggests, that in Canada the rich are getting richer, due to a `Brain Drain Threat` (page 832) and that many high income Canadians have the option of leaving Canada to easily do the same for more money in the US. The threat of Brain Drain started in the 1980`s, especially after 1995 when the North American Free Trade Agreement (NAFTA) allowed the emigration of high income Canadians to receive temporary work visa permits much more easily. This threat of migration to the US by these highly skilled Canadian executives or professionals may have actually driven the surge in top wage shares in Canada.

The paper shows top income trends since 1920 and quite interestingly indicates the business cycle is an important influence over the top income shares. The top 5% income share in Canada displayed sharp counter-cyclical fluctuations from 1920 till approximately the Second World War where the Canadian evidence suggests that a decline in inequality took place at this point in time. Then there is a sharp upturn over the last two decades of income inequality for the top income earners where their share of incomes increased by 2000 by about 6% for the very few (1%). This paper explains the top income shares in Canada are a consequence of an unprecedented surge in the top pay of the top compensated employees again amongst the very few. Between 1972 and 2000, the top .1% wage income share in

Canada increased more than four fold. Today, these earners of employment income have, to a large extent, replaced capital income earners at the top of the income distribution through different pay schemes instead of just relying on paper wealth. One final interesting fact from this paper to me proves the myth that the rich get richer. The statement ` the probability of remaining in the top .1% group is about 60% one year later, 50% two years later, and between 40% and 50% three years later` (page 842) shows that mobility of the richest is limited if not quite modest. Once you have made it, you usually keep it and be damned all of the other contributors to society.

If we actually take a look at the US to see the true impact and how it has impacted Canada`s income gap, we need to look no further than the report by Emmanuel Saez in March 2012 titled `Striking it Richer: The evolution of top incomes in the United States`. In this brief but informative paper the point is made that during the last Great Depression of 2007 to 2009, the average real family income[1] declined dramatically and was the largest two year drop in history since the great depression of 1929, where the average real income fell for the bottom 99% sharply by approximately 12% and really erased the gains of approximately 7% for these same people between the years 2002 to 2007. The fact that the top 1% average

[1] **US uses family income tax returns, Canada uses individual income tax returns**

income fell even faster by a rate of approximately 36% was due to the collapse of realized capital gains due to the stock market collapse,

the paper economy, and not actual wages earned. Actually, the top income earners incomes remained virtually constant when you exclude the realized capital gains; a total of .2% difference was noted and shows the few have resisted this past great recession very well. As if that was not bad enough, the 1% captured 93% of the income gains in the very first year of the so called recovery because of corporate profits and dividends distributed growing sharply while wage and salary accruals have only grown modestly, to say the least, while unemployment and non-employment have remained high till this day. This is as shocking as the negative broader trends in income distribution, as I have shown. It really does say something about how the economy functions under a weakly regulated framework with limited social safety nets.

Some of the facts that back up these statements are as follows. The share of the top decile was around 45% between the mid 1920`s to the 1940`s and then declined to just above 32.5% during the four years of World War II. It then stabilized around 33% until the 1970`s and now over the last 25 years or so, has regained its pre war level after increasing dramatically so that by 2007 it was equal to 49.7%, higher than any level since 1917 and even surpassed the year 1928 which was just prior to the stock market crash or bubble burst in 1929. Most of the fluctuations of the top decile can be explained and are due to the fluctuations within the top percentile of this decile. Through great fluctuations over the years of this percentile, income distribution has played a central role in the evolution of inequality in the US over the course of the twentieth century.

If you look at the period between 1993 to 2010, there was quite a dramatic shift in how the bottom 99% of the income distribution fared. For instance, during the Clinton expansion years of 1993 to 2000, the average income real growth was 31.5% but 45% of that growth accrued to the top 1% while the top 1% incomes real growth was 98.7% and the bottom 99% incomes real growth was 20.3%. The 2001 Recession period covering 2000 to 2002, the average income real growth was -11.7% of which 57% of that growth accrued to the top 1% while the top 1% incomes real growth was -30.8% and the bottom 99% incomes real growth was -6.5%. The third period called the Bush expansion between the years 2002 and 2007, the average income real growth was 16.1% of which 65% of that growth accrued to the top 1% while the top incomes 1% real growth was 61.8% and the bottom 99% incomes real growth was 6.8%. the fourth period called the Great Recession from 2007 to 2009, the average income real growth was -17.4% of which 49% of that growth accrued to the top 1% while the top 1% incomes real growth was -36.3% and the bottom 99% incomes real growth was -11.6%. In the final period called the Recovery period, the average income real growth was 2.3% of which 93% of that growth accrued to the top 1% while the top 1% incomes real growth was 11.6% and the bottom 99% incomes real growth was a meagre .2%.

To look ahead, we have to look at the past which shows that the unequal income distribution gap will only get much wider unless the governments of the day create regulation and tax policy changes that do not allow wealth concentration to continue. We need only look back to the recent drastic cuts of the federal taxes which will accelerate the path towards a great wealth concentration, one much like the one that existed in the US economy prior to the Great Depression. There are also other factors that are used to explain this great divide between the rich and the poor or the ever increasing divide of wealth between the 1% and the 99%, all having to do with Capital, and its power, reducing the power of the many. Whether it be technological changes that were suppose to make our jobs and lives easier, the progressive tax changes favouring the very wealthy while cheating the poor, the taking away of corporate health and retirement benefits for its workers in order to satisfy their greed of money, or even the so called retreat of once strong unions and their institutions developed after World War II due to \`Fordism\` or the \`New Deal\`, there has been a continuous change, by us, the 99%, in regards to the social norms we are willing to accept about wealth and pay inequality which is being shoved upon us by a few of the wealthy and powerful. We really need to stop beating ourselves up and stop believing that we are going to be the next millionaire and instead try to institute tax policies that benefit all, not just the wealthy as is the case these days. Sometimes we are our own worst enemies, but I digress. I would like to finish this section on income disparity by bringing the facts close to home. I am going to share a few examples of how the huge income disparity rears its ugly head in Canada's largest city, Toronto. In a paper titled "Losing Ground: The persistent growth of family poverty in Canada's largest city" For the United Way of Greater Toronto by Susan MacDonnell in November 2007, Shows that, growing levels of precarious employment, substantial increases in applications for evictions related to non payment of rents which increased by 26% by the end of the 2010 starting from 2000, and rising levels of indebtedness and insolvency are pushing more and more Torontonians into a 'Cycle of Poverty'. If you look at one of Canada's social safety nets, Employment Insurance, the lowest levels of access have been experienced in Toronto as only 27% of Toronto's unemployed workers are able to obtain any EI benefits of any kind and only 10% of 'Low Income' Toronto families qualify as well. This dilemma really shows how precarious work is affecting workers and their families, because of precarious work, workers are unable to qualify for EI. To say Torontonians have ended up worse off at the end of 2010 than they were at the beginning of 2000 is a real understatement. The rising amounts of precarious work as well as working multiple jobs to try and support a family in Toronto all the while social assistance has only risen a modest 3%, that following a 21.5% cut in 1995 and frozen since, means that the real cost of living in and raising a family in Toronto with an income less than the median of $21,700 for a lone parent family[2] means you are challenged every day just to make ends meet. Please keep in mind that median incomes in Toronto did not rise in absolute terms during this same period as most of the meagre 3% gain is eliminated after adjusting for inflation. The fact that payday loan and cheque cashing outlets have risen by an increase of eight fold and are heavily targeted in Toronto's low income neighbourhoods shows how these people are learning to adjust. This of course takes full advantage of the people and families who can least afford it. To bolster the concept of the working poor, a paper titled "The working poor in the Toronto region: who they are, where they live, and how trends are changing by John Stapleton, Brian Murphy, and Yue Xing for the Metcalf foundation in February 2012, makes the point that people go to work to get out of poverty, not stay poor. Just by working many hours and holding a full time job, or even year round employment, you are not guaranteed to escape poverty. The authors state 'Employment is commonly understood to be the best antidote to poverty. You should no longer need a ladder, (Social Assistance), out of poverty but increasing numbers of workers are still living in poverty and still need that

[2] $1300 a year less than 2000 and $4500 less than 1990

ladder.' Poverty really is simultaneously a political, social, locational and economic problem that should concern us all as it really is about all of us. It is about ensuring the future viability of the health and prosperity of our communities as well as enabling the full potential of our labour force as the true cost of poverty is much more than about budgets and reduction of taxes and costs. When you look at the current debt ratio for average Canadians currently at 152%, it is not a stretch to suggest that we are all close to poverty. If for every dollar Canadians have in their pocket, they owe $1.52 on average, it won't take much of an interest rate hike on all monies borrowed by individual Canadians to see a huge, quick rise in the poverty rate in Canada.

Our income distribution has become increasingly unequal and can be attributed to the policies implicit in our existing free trade deals. If we take a look at some of the previous deals that our governments of the day have been involved in over the last 20 to 30 years, coincidentally the same period as the rise of Neo-liberalism, we were told and led to believe that Free Trade deals were good for us and would be very beneficial to Canadians as a whole. By getting involved in Trade deals, Canada was going to take a "Leap of Faith" and that The Leap would be beneficial. But, if we really take a look at what these Free Trade Deals have cost us as Canadians, it is pretty remarkable that today's federal Conservative government is trying to sell us the CETA deal by saying that it will boost the earnings of all

Canadians using the 'Apparent' success of Nafta (McParland 2008), and Previous trade deals including the Canadian United States Free Trade Agreement (CUFTA). A deal where income inequality would rise for nearly 10 consecutive years following its implementation. Than the North American free Trade Agreement (NAFTA), which have put in place initial Policies and Laws inhibiting effective government and citizen action to address human rights potential, as stated by the "Canada's Coalition to end Global Poverty" (April 2010). This all started through Bilateral Investment treaties (BIT), which started governing how countries and their governments can regulate foreign owned assets. As a matter of fact, provisions that are nearly identical to BIT's have been written into NAFTA by the corresponding governments in the form of chapter 11. An article of the NAFTA agreement that utilizes an exceptionally powerful international arbitration mechanism to rule on key investment protections that allow private companies the right to challenge decisions of our government in ways that average citizens cannot do. The use of the International Centre of Arbitration of Investment Disputes (ICSID), part of the World Bank, and the International Court of Arbitration of the International Chamber of Commerce (ICC), a private business organization, both having a lack of transparency even though most cases have significant public interest implications. They both allow restrictions on behalf of private corporations in regards to Federal governments like those imposed on developing countries that did not apply to developed countries in the course of their own economic development. To date there are over 2600 BIT treaties which regulate governments but have very few if any corollary responsibilities for investors no matter where these investors are from.

According to a joint paper put together by 4 unions, European Federation of Public Service Unions (EPSU), Canadian Union of Public Employees (CUPE), National Union of Public and General Employees (NUPGE), and Public Service Alliance of Canada (PSAC), titled "Critical Assessment of the Proposed European/ Canada Comprehensive Economic and Trade Agreement", this agreement will cause even more deep economic integration which will go well beyond the scope of traditional agreements such as NAFTA. This agreement which came from more than 100 of the largest corporations in Canada and Europe will have the effect of including free movement of skilled people and an open market in government services and procurement amongst other things that I will detail later. Ceta as well will alter the provisions of NAFTA with the US and Mexico by requiring the same benefits to be extended to the investors and service providers from these 2 countries as NAFTA includes a "Most Favoured Nation" clause which states that 'Treatment no less Favourable' to another NAFTA party than it provides to any other party ensuring that it will be implemented at the signing of CETA.

We need to assess the impacts of Free or more Liberalized Trade in light of the serious recession that has engulfed the World's economies and need to move toward a more sustainable development as gains from previous trade deals are mostly going to a small group at the top. The empirical evidence that freer trade has been a positive factor for the world economy has not only been inconclusive, but, has stronger evidence showing that freer trade has a very negative side which needs to be measured on criteria other than purchasing power. It has now been commonly accepted by governments that the era of liberal globalization has brought about increased inequality within most countries and between them. If you look between 1995 and 2005, the earnings for the top 10% paid workers increased more than the bottom 10% least paid workers under NAFTA and in Canada alone, we have lost some 360,000 manufacturing and processing jobs, all before the current economic crisis of 2007. The driving force behind many a free trade deal, the Canadian Council of Chief Executives (CCCE), made up of Canada's top paid Chief Executives, shrank their workforces by 19.6%, a loss of 118,000 jobs while their revenues increased by 127% for the 13 years under NAFTA. Canada created less than half as many jobs during the 13 years of NAFTA compared to the 13 years prior to NAFTA. Even Mexico's prediction of a 5% to 10% wage growth after NAFTA was implemented is false. Wages in Mexico fell 16% between 1994 and 1999. Remember Brain Mulroney's claim that NAFTA was going to raise the boats of Mexican workers? (October 2007-20th anniversary).

If you even look at the European Union's own impact assessments using their empirical evidence of this proposed deal and its effects on jobs, it shows that trade liberalization will cause 'large scale redundancies' in the European Union itself, as well as a decline in employment terms and conditions. Trade liberalization in the European Union has their own government even accepting the fact that workers in small and medium sized enterprises risk losing their jobs because of the 'negative effects' of "globalization". Since 1980, workers on both sides of the Atlantic and partner to this trade deal are competing with quadruple the number of workers in the global marketplace. This has led to more finished goods being imported into Organization of Economic Cooperation and Development (OECD) countries, as well as more 'OFF-Shoring' of goods production, really doesn't play into the discussion of the impacts of CETA though.

A report done by Jordan Brennan from the Department of Political science at York University in Toronto, Canada titled "Has Free Trade Fulfilled its Promise in Canada? Contesting a 'Sacred Tenet' of globalization theory", takes a quantitative assessment of the Canadian political economy to see who the main beneficiaries of the free trade era have been. He argues that, both in its intentions and consequences, a political economic transformation was written by dominant Capital, for Dominant capital. The Trade and Investment Liberalization (TAIL) era has and always will be socially divisive and politically explosive as seen recently when Senators Obama and Clinton, while campaigning for the next Democratic presidential candidate in 2008, announced they would potentially withdraw the US from NAFTA if the Labour and the Environmental side agreements were not strengthened.

In the 70's, The Liberal governments undertook nationalist policies, leading dominant capital in Canada to re-evaluate the way they were doing politics. The Business Council on national Issues was formed (now the CCCE) taking their cue from the Business Roundtable in the US, with the explicit intent to have dominant capital participate directly in the policy making process. Keeping in mind that TAIL was and is still trying to be sold to us as a necessity as well as creating prosperity by freeing capital from narrow national constraints which would enable capital to flow to where it could be most profitably employed and this would bring net benefits to Canadians in the form of better jobs and shared widely with workers in the form of higher wages. As a matter of fact, GDP growth did not pick up after the institution of a TAIL regime. We saw a decline in Labour productivity even though these promises and predictions were not supposed to be dependent upon global economic performance. The highest income earners have seen an increase since 1976 of their share of the national income rise by 6% while the working poor and a part of the middle class have seen distributional losses since the onset of these TAIL agreements. An increase in hours and weeks worked by most, from one generation ago, as the top 10% are working less and less today over that same period of time. Labour income growth actually outgrew capital profits from 1955 till the inception of the TAIL era in 1990 when the growth rate of wages came to a grinding halt. Returns to capital skyrocketed due to the reorganization of social space and the altered power relationships flowing from the institution of TAIL trade regimes. The statement "private ownership is not an institution which enables those who own, but one which disables those who do not own" is at the heart of why we are where we are today with the current trade agreements that we are involved in. Power, who has it and how hard they work at keeping it and to what extremes those with power will go. The entire political program of deregulation, privatization, shifting of the tax burden, which has come to be known as neoliberalism, which is driving these changes just happens to coincide with the onset of these TAIL regimes as suggested earlier in this piece.

The proliferation of trade agreements which is now all encompassing from the standpoint of investment, imposes severe restraints on all levels of governments with threats of retaliatory trade sanctions or damage awards, are all part and parcel of the mandate of trade tribunals. By being able to sue governments to enforce the rights to the treaty accords themselves, capital is given a broad range of rights that allows capital to put any law, program or policy of NAFTA on trial while its own citizens are ignored. Capital has acquired many new legal possibilities which condition government policy to act on Capitals behalf even if it is not included in the current trade deals, and might be included in the next trade deal to come along.

Facilitation of capital mobility further empowers capital over labour, by not only facilitating capital to leave sectors that are declining and flow to more productive sectors, but also allows capital to leave the domestic economy, much like GM in Canada today. The major stories coming out of the announcement of GM's Oshawa plant closure in 2013 is that Labour has to reduce our costs or all of automobile manufacturing is going to leave Canada. The fact that if these unionized jobs leave because of the so called cost discrepancy, non union job rates will prevail if the jobs do not flee to off shore countries which in turn will ensure that union wages will decrease thus implying wage compression for all. As we have seen, these trade deals have 'Conditioned' our government's ability to shape their own behaviour as NAFTA has tied the governments hands even making it extremely difficult to bring public and social services back into the public sphere as well as new ones to the fore as investors have the right to sue governments for expropriated earnings. Even after 100 years of protectionism and Canadian nationalism in Canada, the ruling elites of the day at the request from dominant capital, have put in force TAIL regimes which after 20 years have not worked for Canada or Canadians.

We need not look any further than the latest loss against Exxon Mobil and Murphy Oil's (2 US based companies) victory using NAFTA rules against Canada as reported in the June 1st edition of The Globe and Mail. The ruling was made by a panel of 3 unknown people where Canada's appointee dissented but was overruled by the other two unnamed arbitrators. As reported, 'the case is a win for the oil industry but a loss for Canada and illustrates how Ottawa always ends up with the bill when provinces violate the terms of trade agreements they did not sign'. It was also reported that the oil companies had already lost their case in Canadian courts before they launched their NAFTA challenge. REALLY ???

As all of these things are happening around us, the over 2600 BIT's in force and NAFTA being used, the problems with wages and incomes, the loss of our Sovereignty, and the total loss of power of our Federal government, we really must ask ourselves, why CETA? What is in CETA and how is it going to help Canadians when it comes to jobs, wages, poverty issues, and the like? Won't CETA likely compound these problems. Our Federal government is trying to shove this secretive deal down all Canadians throats by saying that NAFTA has been beneficial, but to whom? Why are not more if not all Canadians fighting against not only the CETA proposal but the impending implementation of this further liberalization of Canada's trade?

The Proposed CETA Deal:

Let's take a look at what is in CETA from what we know or better yet what we are allowed to know. As has been said many times before by many people 'The devil is in the details', so let's look at the details. When we take a look at a CCPA paper titled "Fast Facts: What is a CETA, and why should we be worried about it? By Larry Brown, June 24, 2011, it is made abundantly clear that not only will CETA have everything that NAFTA has, it will be 'plus more' as now we will be dealing with a much larger bloc of countries in the European Union- 27 countries. Larry Brown states that CETA is not much about trade, but more about putting limits on the ability of governments to control the actions of large corporations by implying what governments can do if they interfere with corporate sectors unfettered right to make a profit, it really is not about tariffs and borders. This trade deal also includes a provision that states that anything not covered or listed as exempt from this agreement will be automatically covered, so if we as Canadians develop a new social program for the betterment of all Canadians and our society, too bad. Things like a Pharmacare program, and Homecare that we are talking about at the Municipal, Provincial and Federal levels will have us face tribunals as they will be covered under the provision mentioned above as it will probably not be included by our current Federal Conservative government. It has been noted that the European commission has stated that they want access to procurement policies that are being done currently and should be done by Municipal, Provincial, and Federal governments as well as School boards, Hospitals and Crown corporations that allow the use of taxpayers' money for the benefit of the local taxpayers, thus our CETA team and our mission. To conclude his paper, Brown states, this trade deal is the selling out of our right to democratically govern ourselves and be governed instead by Canadian and European private companies by allowing these same companies to challenge decisions made by democratically elected representatives of the Canadian people at all levels now including Municipal and Provincial levels that are not included in NAFTA.

In a paper published by the Columbia Institute's Centre for Civic governance titled "Municipalities and the Comprehensive Economic and Trade Agreement (CETA): Trade and Economic Policy Update- Spring 2011, it states, 'A municipality's ability to buy Local or buy Canadian can be an important tool for stimulating the Local and National economy and can be used to protect the environment and foster innovations'. With CETA, this ability will be gone for good as local governments, school and hospital boards will no longer legally be able to give preference to local or Canadian suppliers. This will have the effect of restricting tender calls to local or Canadian companies including Canadian Labour for local economic or social development tools. It will prohibit municipalities from using procurement for strategic purposes, as well as prohibit municipalities from using procurement for sustainable development purposes. In essence, getting rid of the municipal level of governance and the realization that procurement is of crucial importance to all Canadian municipalities. So much of ‘for the people and by the people’ when it comes to municipal issues. If you look at the fact that the FCM estimates that Canadian municipalities collectively purchase more than $98 billion a year in goods and services, there is truth in the statement that Municipal governments are the frontline and most impacted level of government when it comes to all Canadians.

In the last set of papers that I am going to share info from, both from Jim Stanford, the proof of the devil is in the details. In the first paper put out by the CCPA in October 2010 titled “out of Equilibrium: the impact of EU-Canada Free trade on the real economy” and his subsequent update from May 2012 titled “Boosting Canadian trade vs free trade deals published on rabble.ca, Jim takes a look at the real economy and the effects of CETA on hard working Canadians, not the paper economy and the top 1%.

In the executive summary of 2010's paper, Jim states that Canada enters these sets of trade talks with a notable disadvantage in both quantitative (measuring of quantity) trade flows, and the qualitative (measuring of quality) composition of trade. This notable disadvantage with the 27 countries of the EU is especially skewed with one of these 27 countries, Germany, having successfully pursued export led growth and as such has generated the second largest trade surplus in the world. The biggest notable disadvantage is the simple fact that Canada's exports to the EU are mostly unfinished, barely processed resources while in turn our imports from the EU are mostly finished, labour intensive products. Canada, before even signing the CETA agreement loses approximately a total of 70,000 jobs as a result of the Bi-lateral trade deal in place already with the EU.

The idea of a fair deal for Canada is hard to swallow when the commission asserts and relies on its model that this deal will be worth approximately $12 billion per year for Canada by 2014 as it relies on 'extreme' and 'far-fetched' assumptions including the manner in which all free trade would be implemented and experienced. Nowhere does any commission or statement from either government demonstrate that this will actually happen, just believe in the government as they take another "Leap of Faith". The commission acknowledges the discrepancy in the trade imbalance for Canada but tries to allow for the discrepancy by assuming that trade flows with all other countries will offset this imbalance with the EU, again not offering any quantitative information. The real truth is that in Canada's experience with all trade deals, a deal with the EU is not a way to make this unbalanced relationship benefit Canada and Canadians. The simple fact that Canada currently has an average yearly growth in exports of 4.77 and an average yearly growth in imports of 8.67 with the 5 countries that we are currently in free trade deals with (US, Mexico, Israel, Chile, Costa Rica) shows us the true unbalance value of our current practices to the tune of a negative flow of trade of approximately 3.9% of GDP (approximately $61.5 billion). The paper also has its own simulations utilizing 3 different views or inputs that are 'unconstrained by the traditional neoclassical assumptions regarding full employment, balanced trade, international capital mobility, and so on'. Things that we know to be true in the real world, not falsehoods spewed out by the paper world and their ilk. The three scenarios presented are as follows; tariffs are mutually eliminated, EU- Canada trade expands in line with Historical experience of Canada's previous 5 FTA's, Tariff elimination is combined with the appreciation of Canada's currency versus the Euro. In all three scenarios it is hard to find a bonus or a buy in for Canada or Canadians as with the first scenario there is a potential job loss of about 28,000 jobs while the second gets worse and the third scenario predicts a job loss of 150,000 more jobs in Canada. GDP is also affected negatively the same way as in the job losses. With the first scenario, GDP will drop by 0.56 % all the way up to

3% in the third scenario. If enhancing Canadian exports and diversifying export markets away from the US is the goal, signing CETA is not the way to get there, just another distraction from allowing us to achieve our goal. We should be trying to do the same sorts of things that the EU countries, especially Germany, have done in their hands on industrial development strategies to make Canada a global export powerhouse, much like them, instead of naively hoping that another free trade deal, albeit with a large trading Bloc, will solve all of Canada's ailments, especially in regards to trade issues.

Canada's traditional goal in economic policy has been to move 'further up' the value chain by becoming a processing country instead of just a 'Hewer of Wood and a Pumper of Oil' resource extraction Country, not down the value chain as this trade deal would have Canada do. Currently Canada's major exports to the EU consist of minerals, agricultural products, forestry products, and petroleum products and make up almost 75% of the aggregate value to the EU. Whereas the EU's major exports to Canada currently are made up of finished, sophisticated, transformed products making up 80% of the aggregate value to Canada. The only exception is the import of North Sea Oil and petroleum products imported into eastern Canada, a Country that is awash in oil. The problem with this set up, is that, what Canada exports is less labour intensive than what Canada imports from the EU as Canada now supports on average 3123 jobs for every billion dollars of exports to the EU while each billion dollars of imports from the EU displaces 3242 jobs. Oh boy, what a deal, especially as Canada imports from the EU, much more than what Canada exports to the EU. To give just one example, we can look at Germany where in 2009, Canada imported almost $3 for every $1 of exports to Germany which creates almost half of the trade deficit we currently experience with the EU. This, while Germany recorded the second largest trade surplus in the world (second to China) at the same time. The same effect can also be said about services that we are currently trading with the EU as we currently import $1.32 worth of services from the EU for every dollar that we export over there.

In regards to trade barriers or elimination of tariffs, Canadian industries have absolutely nothing to gain and everything to lose by eliminating tariffs under another free trade deal with the EU because Canada's imports from the EU currently are much more concentrated in finished, manufactured products which generally have much higher tariffs. The mutual elimination of tariffs as well as any other barriers or restrictions on goods and services to be traded will cause a bigger gap and advantage to the European companies as European companies already sell much more in Canadian markets than Canadian companies sell in the European Union. As Jim states "The almost certain outcome of liberalization, therefore, will be an exacerbation of trade imbalances in both goods and services".

Another big concern that we really do not hear much about is the exchange rate issue. As we see with the large instability of the World's financial markets even today because of the US and their mortgage crisis bubble bursting, currency rates change quickly and dramatically and not always due to or because of governments in power. Canada's current rise in the Canadian currency is not because of anything Canada is doing right, it is happening for 2 major reasons, the weakening of stronger currencies like the US dollar and the Euro as well as the export of our natural resources like oil, thus the Petro Dollar. If you take into account that the Euro is at a level of around 18.7% lower than the level the Euro was at in regards to the Canadian dollar back in 2009, relative cost comparisons are stacked even greater in favour of the EU as higher prices in Canada mean less exports and even more imports with the EU. Jim states this time that "appreciation of the Canadian dollar versus the Euro has done nine times as much damage to the competitiveness of Canadian products in European markets as could be hoped to be achieved from the ultimate culmination of the talks".

As you can see, before we even get into a free trade deal with the EU, Canada's existing deficit is $15 billion in goods and $4 billion in services for a total of $19 billion annually. How can this be good for Canada and Canadians? We are already starting from a clearly inferior starting position with the EU countries before we even get started whether it is measured in Quantity or the Quality of trade with the

EU. We must remember that the EU is not a low cost producer of goods, unlike what we constantly hear from our government that we must become a leader in manufacturing, even though the Canadian dollar's appreciation has not helped us in our cause. As Canadians, we still continue to pay for lopsided trade relationships including our current BIT with the EU by continually selling ever increasing amounts of our finite natural resources all the while Canada is continuously going farther into debt as shown with Canada's current record amount of debt.

With all of this evidence, we still haven't even begun to look at how or what the two governments are using to try and sell this free trade deal, The original commission that was put together by both governments. If we look at the model, which is a Computable General Equilibrium (CGE) model, it is a numerical representation of a system of equations describing supply and demand forces, and equilibrium conditions in all of the individual markets which compose the total economy and as such the quantitative detail with which CGE models produce in their results should not be misinterpreted as empirical reliability. As a matter of fact, these CGE models cannot prove anything because different models produce different results, of which, none is more correct than any other. For this model, it seems the choices seem calculated to maximize the predicted gains from free trade in order to justify either government's means as they over estimate the gains and under estimate the costs as most of the gains derive not from trade, but from the assumption of faster savings and investment. The fact that EU exports have much more to gain from the relaxation or elimination of those barriers than Canadian exporters and likely to exacerbate our existing trade balances should not get in the way of the Canadian Federal Conservative governments ideals about Free Trade. As a matter of fact, the fact that GDP will weaken and trade imbalances will grow, all acknowledged by the EU commission, and thus make Canada worse off than prior to the signing of this agreement by assuming unrealistic ideals of full employment, balanced overall trade, and many other economic features should be of no concern to us as Canadians.

In Jim's second piece, he starts by portraying the current Conservative majority government as a free trade government talking about the 18 different deals in play either in force or being discussed and if anyone opposes the CETA deal they are economic Dinosaurs and should get on board the free trade train. In this paper Jim goes on to explain why the Harper government might be getting so protective of their free trade ideology and that is the 5 countries we are involved with in a free trade deal currently are importing more of our Natural Resources, especially Oil, which has melted our once impressive trade surplus into a deficit. To be quite honest, our current free trade deals already cover about 70% of Canada's total trade, and yet, the more of these ideologue deals we sign, the worse our trade performance has become. As Jim puts it, 'The Proof is in the Pudding', as total exports of goods and services were equivalent to 31% of Canada's GDP last year, down from 38% when the Harper government was elected. If the goal of free trade is to help Canada and Canadians, than this current majority government is failing and failing miserably.

Conclusions:

The CETA deal is only a diversion and distraction from actually fixing what ails Canada, which is in my mind developing domestically based globally active firms that produce innovative, high valued, completed goods for the whole world. This would lead to good paying jobs and benefits for Canadians, instead of taking the easy way out and just relying on finite Natural resources to fix our problems.

So what now? First of all, which is it? CETA with the European union or the TPP with Pacific Rim countries, 4 of which we already have a free trade deal with. We do not even know what the first 12 rounds of the TPP include, yet our current Conservative government is willing to jump on board and do what is best for Canada and Canadians be damned the actual results. Is this a sign that we will not hear another new date for completion of CETA, a distraction of sorts, as TPP is now front and centre. What will the implications really be with the signing of CETA, the TPP or any other new and improved free trade deal? When we look at the history of our current free trade deals, is there really anything in these deals that will improve average Canadians lot in life? Anything in the new proposed free trade deals? To look at what we know about the proposed free trade deals, which is not much, how are we suppose to gage the full impact of these deals? Too many questions still left unanswered, deals still being done behind closed doors in secrecy, why the secrecy? What is our current Conservative government trying to hide from all Canadians? The only way to deal with these free trade deals is to talk openly about them and what we know with each other. Then and only then will we be able to make an informed decision. A decision that will not only impact us today but future generations for a long time to come.

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