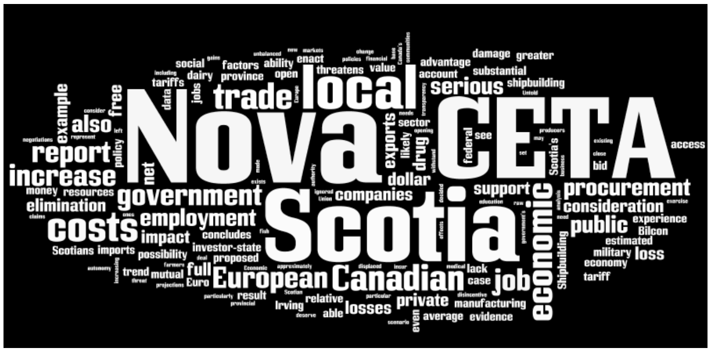

CANADIAN CENTRE
for POLICY ALTERNATIVES
NOVA SCOTIA OFFICE

FAST FACTS

October 2012

The CETA and Nova Scotia: Oversold benefits, Untold Costs

After close consideration of the costs and benefits, our new report on the Comprehensive Economic Trade Agreement (CETA) concludes that the agreement's benefits for Nova Scotia are being oversold, while its costs and consequences are minimized or even ignored.

The only official Canadian government report about the CETA was unbalanced and left out critical economic factors or assumed full employment (i.e. that everyone has a job and if they are displaced they will find another job). Moreover, since the negotiations got underway in 2009, the value of the Canadian dollar relative to the Euro has increased by 19%, calling into question many of the conclusions made in the federal government's report about benefits. Once real economic factors are taken into account the picture is quite different.

In reality, the CETA could result in between 510 and 2587 net job losses in Nova Scotia. The job projections consider three scenarios: mutual tariff elimination; extension of historical trend in free trade; and tariff elimination plus the appreciation of the Canadian dollar. In scenario one, while the province might experience small gains in employment in the agricultural and fishing sectors from the mutual elimination of tariffs, this will be more than offset by losses in manufacturing and result in a net loss of 554 jobs. If the CETA has a similar impact as the average trade flow effects resulting from Canada's existing free trade agreements, the estimated provincial employment impact of the CETA will be a net loss of 510 jobs. If one takes into account not only the removal of tariffs, but also the impact of a substantial increase (19 %) in the value of the Canadian dollar relative to the Euro, the CETA would do tremendous damage and Nova Scotia could incur 2587 job losses.

In order to take advantage of this trade deal Nova Scotia would need to increase and change what it exports. Currently, raw natural resources including fish, along with wood/pulp/paper together represent 61% of average exports from Nova Scotia to the European Union. The CETA is likely only to increase exports of resources while weakening incentives for value-added manufacturing.

The CETA also threatens to restrict the authority and autonomy of democratically-elected governments to enact public policy in support of local economic benefits or even to respond to citizens' needs. The recently awarded shipbuilding contract is one example. Irving Shipbuilding was able to bid for the shipbuilding contracts competing only against other Canadian suppliers because of Canadian sourcing rules for military procurement. In addition, the federal government could include consideration of local benefits as part of the selection criteria. If either of these measures were prohibited, the success of the Irving Shipbuilding bid would have been very uncertain. While military procurement will be excluded from the CETA, the threat posed by the CETA against any kind of 'buy-local' initiative is a serious one.

Public procurement in Nova Scotia is estimated to amount to $3.64 billion per year. Losing the ability to focus on local procurement is a lost opportunity for

Nova Scotian communities: opportunities to decrease the economic and environmental costs of shipping, boost local economies by allowing more money to circulate in the local economy longer, facilitate local employment, and generate income that contributes to the local tax base.

Under pressures to open up more of our local economy and public services to the private sector, government decisions may be increasingly subject to claims through the investor-state dispute resolution systems proposed for the CETA. Our experience with NAFTA raises red-flags.

Take for example the case that is being brought by Bilcon against the government of Nova Scotia. Bilcon is particularly displeased that the Environmental Review Panel that decided against the company's proposal for a quarry included consideration of whether it fit with the community's 'core values'. With more than $188 million on the line in this one case, the possibility of serious social and financial repercussions exists.

The trend to increasing investor-state litigation and the risk of substantial payouts of public money to private companies for potential profit loss is a serious disincentive - chilling policies that support local, community-based development. This is especially concerning given that the federal government has said it will look to reclaim costs associated with international trade processes.

The CETA threatens the province's ability to enact fair drug pricing policy because the proposed changes to Canada's drug patent system would add approximately $70-million annually to Nova Scotia's prescription drug costs.

A cornerstone of Nova Scotia's renewable energy strategy is support for local producers who contribute to the system and will help bring the province up to the 15% by 2015 goal, but this could be interpreted as an unfair advantage by the Europeans, opening us up to potential for an investor-state complaint.

It is also too risky to assume that Nova Scotia farmers, in particular dairy operations, can withstand an increase in European imports or be able to increase their access the European markets. Rather, European imports could effectively undermine supply-management and do significant damage to our dairy sector.

The CETA could also open up post-secondary education to greater numbers of private companies. This means, for example, a privately-funded, for-profit business or medical school could be set up in Nova Scotia, and the government would be powerless to prevent it or exercise any control over how it operates.

All of these sectoral examples provide evidence that the CETA could have serious implications for our province.

Undertaking this analysis was difficult because of the lack of transparency about the specifics of the CETA, and the lack of up-to-date specific data related to Nova Scotia. Without further evidence to the contrary, our report concludes that the probable costs of the CETA greatly outweigh the benefits for Nova Scotia. Merely opening up the possibility for greater competition in Europe will not automatically create economic benefits for Nova Scotians. It is more likely to mean that European companies have easier access to Nova Scotia consumers and public spending.

There are costs associated with trade and investment treaties, especially ones as sweeping in coverage as the CETA. Nova Scotians deserve information and data weighing the full economic and social costs and benefits.

***Please note** that this is a summary of a larger document. The full report, Who pays for 'free' trade? The CETA and Nova Scotia by Angela Giles, Leanne MacMillan and Christine Saulnier, can be downloaded free at www.policyalternatives.ca*

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