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Let's talk about Canada's economy. The commodities boom, which had shielded Canada from the worst effects of the global financial crisis, has ended, revealing economic malaise. GDP and productivity have been growing at a plodding pace, firms do not innovate enough and infrastructure is overburdened. Consumer debt and house prices are very high. Business investment and exports have yet to take over from indebted consumers as motors of economic growth. Prairie conservatism has been replaced with power shifting back to central Canada. Can manufacturing come back? Will embarking on a new path move us forward to a better place? The Trans-Pacific Partnership (TPP), a legacy from the previous government, may yet survive under the new regime. However trade agreements always come with winners and losers and each country has to balance such internal issues. The Economist provides some broader perspectives as follows:

The Economist - Oct 10, 2015 - Every Silver Lining has a Cloud

Until this week, the world had not seen a big multilateral trade pact for over 20 years. The deal that has broken the drought—the Trans-Pacific Partnership (TPP), which comprises 12 countries in Asia and the Americas, including the United States and Japan—is welcome. But those who believe in free trade, and the benefits it brings, ought not to miss the bigger picture. The backdrop to this week's deal is a bleak one.

First, the pact itself. It has flaws—what compromise doesn't?—but the advantages are greater. The negotiators who brokered the agreement in Atlanta did not just lower tariffs in coddled sectors such as agriculture, but also drew up shared rules on everything from visas for business travellers to competition policy. The deal limits veiled forms of protectionism, such as special treatment of state-owned firms and arbitrary import bans after safety scares. The benefits of such steps are hard to quantify, especially as the fine print of the deal has not yet been released, but the most comprehensive assessment thus far reckons they could boost the GDP of its members by 1% by 2025. The impact on emerging-market signatories to the deal is likely to be by far the biggest.

Viewed from a different angle, however, the tale of TPP tells a different story. First, there is the fact that the agreement has been so hard to sell in America. It took months, and several legislative setbacks, before Barack Obama won the authority to fast-track a congressional vote on TPP. The deal may still be voted down, in America or elsewhere. Those who would succeed Mr Obama as president know that TPP holds few votes. This week Hillary Clinton, the Democratic front-runner and once a promoter of TPP, came out against it. The beneficiaries of TPP—consumers, as well as exporters—are numerous, but their potential gains diffuse. By contrast, inefficient firms and farms, about to be exposed to greater foreign competition, are obvious and vocal. Canada, for example, limited the threat to its dairy farmers and doled out a big new subsidy. The saga is a reminder of how hard free trade is to champion.

Second, the TPP deal underscores the shift away from global agreements. The World Trade Organisation, which is responsible for global deals, has been trying, and largely failing, to negotiate one since 2001. Reaching agreement among its 161 members, especially now that average tariffs around the world are relatively low and talks are focused on more contentious obstacles to trade, has proved almost impossible. Regional deals are the next best thing, but, by definition, they exclude some countries, and so may steer custom away from the most efficient producer. In the case of TPP, the glaring outcast is China, the linchpin of most global supply chains.

Third, good news on TPP stands in contrast to bad news elsewhere. Cross-border trade today is as much about the exchange of data as it is the flow of goods and services: this week saw the annulment by a European court of a deal that had enabled American firms to transfer customer data across the Atlantic. Conventional trade faces even stronger headwinds. The volume of goods shipped in the first half of this year was just 1.9% higher than in the same period of 2014, far below its long-term average growth of 5%. This reflects not only China's soggy demand for imports—a threat to the developing economies that supply it—but also the accumulation of minor measures that silt up global trade.

Deals like TPP are the most effective way to reverse this sorry trend, by reducing tariffs and other obstacles to trade. Optimists hope it can now be expanded, to include China and others. Sadly, experience suggests that will be hard.

The Economist - Aug 29, 2015 - The new rustbelt - The puzzling weakness of manufacturing

If you visit south-western Ontario and the Niagara peninsula you will see scenes of industrial decay. Steel mills, vehicle-parts factories and food processors sit abandoned, their car parks studded with tufts of grass. The region has the look of a rustbelt, and that has Canadians worried.

Manufacturing took a beating in the late 2000s and early 2010s, when high oil prices drove up the value of the Canadian dollar, making factories less competitive. But Canada should now be recovering from that bout of Dutch disease. The "loonie", as Canadians call their currency, has been dropping along with oil prices. On August 25th it fell to its lowest level in a decade against the American dollar. That, plus the strong economy in the United States, the market for three-quarters of Canada's exports, should have scraped off much of the rust.

So far it has not. Factory sales rose 1.2% in June, but were 3.1% below their level of a year earlier. The failure of manufacturing to respond to the tonic of a weaker currency is one reason why the economy probably contracted during the first half of 2015.

Now Canadians are starting to suspect that much of what they lost may never come back. In 2000 manufacturing accounted for 18% of GDP, not much lower than the share in Germany; by 2013 that had dropped to 10%, about the level in Britain and the United States. Factory employment has fallen by about 500,000 since 2005, to 1.7m. In the decade to 2012, some 20,000 factories shut down.

One big problem is that Canada mostly makes components, not final products. That leaves manufacturers vulnerable when their customers move. Car-parts makers used to be well-placed for deliveries to carmakers in Michigan, but many of their customers have moved south.

Another reason the loonie's decline did not help more is that the currencies of competitor countries have also fallen. And industry has been hurt by the rising cost of inputs, often priced in American dollars, and by higher electricity prices, especially in Ontario. Canada's high wages are another burden.

The candidates in Canada's national election, to be held on October 19th, have so far had little to say about manufacturing's listlessness. In part, that may be because there is not much that government can do. Harmonising regulations and easing border crossings with the United States would help. Some companies are helping themselves by investing heavily in new machinery and technology, hoping to make higher-value-added products. Manufacturing in Canada will not disappear. Neither, sadly, will the rust.

Canada's strength lies in its diversity, its geographic vastness, and its resources. The same fundamentals make up our challenges as we begin to try to transition ourselves and our economy in a new direction. The future will be interesting.

From The Thursday File

Avoid popularity; it has many snares, and no real benefit.

William Penn