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NAFTA Renegotiations Have Begun – Expect Them to Continue Through the Fall

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In May, President Trump initiated the renegotiation process for the North American Free Trade Agreement (NAFTA), the landmark 1994 trade agreement between the U.S., Canada and Mexico. Direct talks, which began in August, included high-level participation from Canadian Foreign Minister Chrystia Freeland, Mexican Economy Minister Ildefonso Guajardo and U.S. Trade Representative Robert Lighthizer. The negotiations, which are expected to continue for some time, have no official deadline by which they have to come to any sort of a conclusion. After the first meeting, Mr. Lighthizer referred to the meeting as "the first of several rounds" anticipated to take place this year, a faster rate than is typical for trade negotiations, underscoring the Trump Administration's commitment to completing the process as soon as possible. Mexico is also interested in wrapping up the talks before its presidential election campaign begins in earnest early next year. President Trump has repeatedly said that he will withdraw the U.S. from NAFTA if he does not accomplish his objectives through negotiation.

At the press conference after the conclusion of the first day of negotiations, Mr. Lighthizer and his Canadian and Mexican counterparts were reportedly speaking past each other, with Lighthizer focusing on the "failures" of the agreement, while Ministers Freeland and Guajardo focused on the benefits of the current agreement and emphasized each country's willingness to modernize the pact.

Takeaway: What happens moving forward in the negotiations remains unclear. The U.S. is focused on obtaining concessions from Mexico and Canada to bring down the trade deficit, implement stricter rules on how much NAFTA content auto parts need to have to qualify for duty-free treatment, and alter the Chapter 19 process through which anti-dumping complaints are adjudicated. Mexico's top objectives include strengthening overall North American competitiveness, moving toward more inclusive regional trade and taking advantage of the 21st century economy, Guajardo said. Canada's priorities are to "protect NAFTA's record as an engine of job creation and economic growth," while modernizing the pact for business and making it more progressive, particularly with regard to labor, the environment, gender and Indigenous rights.