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NAFTA Watch

Updates from Benesch on the North American Free Trade Agreement



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This publication is designed to provide our clients in the manufacturing, transportation and logistics, and related industries with monthly updates on any action taken by the Trump Administration, Congress and/or federal governmental agencies with respect to the North American Free Trade Agreement (“NAFTA”). NAFTA, an agreement among Canada, Mexico, and the United States, which creates a unitary trading bloc in North America, has been the subject of recent campaign and political policy debate. NAFTA, which has been in place since January 1, 1994, eliminates most tariffs among the participating countries and allows for a less costly flow of goods and supplies across borders. The idea was that over time, a company in Ohio could do business with another company in Ontario as easily as it could with one in Indiana.

NAFTA was designed, in part, to support North American manufacturers in the wake of increasingly low-cost labor in Asia and Europe. In the auto industry, for example, supply chains are integrated among Canada, Mexico, and the U.S. with work of different complexity done in different countries. This complex supply chain may allow U.S. auto makers to source a dashboard from Juarez and a transmission from Windsor, Ontario. The political debate in recent months underscores the tension between those who believe that NAFTA is due credit for increasing average incomes in the U.S. and those who believe that NAFTA has contributed to the decline in well-paying U.S. manufacturing jobs.

Appealing to voters in once-thriving U.S. manufacturing cities, such as Detroit and Pittsburgh, now-President Trump campaigned on a platform of bringing those well-paying manufacturing jobs back to the U.S. Central to that platform, according to Trump, is renegotiating NAFTA. If the U.S.’s partners in Mexico and Canada refuse a renegotiation that gives American workers a fairer deal, then the President has committed, according to the White House’s website, to provide notice of the U.S.’s intent to withdraw from NAFTA.

Although no formal negotiations have commenced, it appears that major trade negotiations among the NAFTA countries could begin as early as this spring. Several factors lead to that conclusion. First, on February 27, Wilbur Ross easily won Senate confirmation to be the Trump administration’s Commerce secretary. Ross, a billionaire investor, has said that renegotiating the 23-year-old NAFTA will be a top priority. Second, before beginning any trade negotiations, Trump must give 90-days’ notice to Congress. Now that Ross has been confirmed, it is likely that such notice will be promptly given. Third, in a February 23 speech to U.S. manufacturing CEOs, Trump remained steadfast in his campaign promise to renegotiate, or if necessary withdraw from, NAFTA.

While still too early to predict with any certainty the effect that the renegotiation or withdrawal from NAFTA will have on the U.S., any action by the Trump administration in that regard will surely have a substantial impact on the manufacturing community. This publication will provide monthly updates to keep our clients in the manufacturing, transportation and logistics, and related industries apprised of any developments.

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