

April 2018

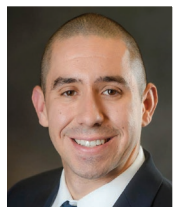
NAFTA Watch



Updates from Benesch on the North American Free Trade Agreement

NAFTA Watch Vol. 14

NAFTA Renegotiations: Tariffs and Retaliation



Kevin Capuzzi



Paul Obszanski

This publication is our fourteenth installment in a series 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”).

The seventh round of negotiations among U.S., Mexican, and Canadian officials in Mexico City last month were less than productive as President Trump injected threats of tariffs on aluminum and steel amid negotiations. An eighth round is scheduled for early April in Washington, D.C.

While the negotiations are ongoing, there is little in the way of updates at this time. Amid negotiations in the sixth round, President Trump tweeted, “Tariffs on Steel

and Aluminum will only come off if new & fair [NAFTA] agreement is signed.” The blending of these two typically separate aspects of foreign trade policy came as an attempt to accelerate renegotiations among the three countries. Mexico’s economy minister, Ildefonso Guajardo, stated, “As to whether we’re willing to make concessions on the issues under negotiation or in other areas to obtain the exclusion [from steel tariffs], consider it ruled out.” He added, “To make concessions to protect ourselves from these tariffs, is not a scenario.” The Foreign Minister Chrystia Freeland of Canada was equally reluctant to accept the suggestion, stating that “as far as [Canada is] concerned, these are separate negotiations.”

President Trump’s link between metal tariffs and existing trade agreements could soon be applied beyond North America as he has sought changes to a free-trade agreement with South Korea, a significant steel producer and supplier to the U.S. European Union representatives have said that they would retaliate against U.S. exports if President Trump follows through with the tariffs, to which President Trump responded with threats to impose trade barriers against European-built automobiles. Trade experts

and economists have urged the President that such threats could backfire because it would draw uninvolved countries to the controversy, causing incrementally more chaos as more countries get involved in a trade war.

Seven months of negotiations have resulted in the closing out of just six of thirty chapters scheduled for negotiation, and many of the most significant and polarizing issues remain unresolved. Three of the significant issues without resolution are rules of origin with respect to automobile manufacturing, government procurement, and conflict resolution.

As we have noted in our previous installments, the quickly approaching Mexican and U.S. elections will likely cause negotiations to slow after April and through the summer. If an agreement is not reached by summer, negotiations will likely not make meaningful progress until late in 2018.

Benesch will continue to monitor negotiations to provide monthly updates to our clients in the manufacturing, transportation and logistics, and related industries of any developments.

For more information

Contact **KEVIN CAPUZZI** at kcapuzzi@beneschlaw.com or (302) 442-7063, or **PAUL OBSZANSKI** at pobszanski@beneschlaw.com or (317) 685-6145.

KEVIN CAPUZZI is an associate with the firm's Litigation, Insolvency & Creditors' Rights, and Transportation & Logistics Practice Groups. He practices in the firm's Wilmington, DE and Hackensack, NJ offices. His practice includes advising and representing motor carriers and third party logistics providers in all stages of litigation in federal and state court matters. Kevin also has extensive experience representing parties in bankruptcy court proceedings, including defending motor carriers and third party logistics providers in avoidance action litigation and navigating unique claims and related issues arising in Chapter 7, 11, and 15 bankruptcies.

PAUL OBSZANSKI is an associate in the firm's Corporate & Securities Practice Group. Paul focuses his practice on real estate and corporate matters related to mergers, acquisitions, divestitures, real estate lending, loan documentation, and related business. Paul also assists transportation clients in working with various state and federal licensing and regulatory authorities.

Additional Information

For additional information, please contact:

Transportation & Logistics Practice Group

Michael J. Barrie at (302) 442-7068 or mbarrie@beneschlaw.com
Marc S. Blubaugh at (614) 223-9382 or mblubaugh@beneschlaw.com
Kevin M. Capuzzi at (302) 442-7063 or kcapuzzi@beneschlaw.com
Matthew D. Gurbach at (216) 363-4413 or mgurbach@beneschlaw.com
Jennifer R. Hoover at (302) 442-7006 or jhoover@beneschlaw.com
Thomas B. Kern at (614) 223-9369 or tkern@beneschlaw.com
David M. Krueger at (216) 363-4683 or dkrueger@beneschlaw.com
Andi M. Metzel at (317) 685-6159 or ametzel@beneschlaw.com
Michael J. Mozes at (614) 223-9376 or mmozses@beneschlaw.com
Kelly E. Mulrane at (614) 223-9318 or kmulrane@beneschlaw.com
Lianzhong Pan at (86 21) 3222-0388 or lpian@beneschlaw.com
Martha J. Payne at (541) 764-2859 or mpayne@beneschlaw.com
Stephanie S. Penninger at (312) 212-4981 or spenninger@beneschlaw.com
Joel R. Pentz at (216) 363-4618 or jpentz@beneschlaw.com
Richard A. Plewacki at (216) 363-4159 or rplewacki@beneschlaw.com
Matthew J. Selby at (216) 363-4458 or mselfby@beneschlaw.com
Peter K. Shelton at (216) 363-4169 or pshelton@beneschlaw.com
Verlyn Suderman at (312) 212-4962 or vsuderman@beneschlaw.com
Clare R. Taft at (216) 363-4435 or ctaft@beneschlaw.com
Jonathan Todd at (216) 363-4658 or jtodd@beneschlaw.com
Joseph P. Yonadi, Jr. at (216) 363-4493 or jyonadi@beneschlaw.com
Eric L. Zalud at (216) 363-4178 or ezalud@beneschlaw.com

Labor & Employment Practice Group

W. Eric Baisden at (216) 363-4676 or ebaisden@beneschlaw.com
Maynard Buck at (216) 363-4694 or mbuck@beneschlaw.com
Joseph Gross at (216) 363-4163 or jgross@beneschlaw.com
Rick Hepp at (216) 363-4657 or rhepp@beneschlaw.com
Peter Kirsanow at (216) 363-4481 or pkirsanow@beneschlaw.com

www.beneschlaw.com

As a reminder, this Advisory is being sent to draw your attention to issues and is not to replace legal counseling.

UNITED STATES TREASURY DEPARTMENT CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, WE INFORM YOU THAT, UNLESS EXPRESSLY STATED OTHERWISE, ANY U.S. FEDERAL TAX ADVICE CONTAINED IN THIS COMMUNICATION (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF (i) AVOIDING PENALTIES UNDER THE INTERNAL REVENUE CODE, OR (ii) PROMOTING, MARKETING OR RECOMMENDING TO ANOTHER PARTY ANY TRANSACTION OR MATTER ADDRESSED HEREIN.