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NAFTA Watch

Updates from Benesch on the North American Free Trade Agreement

NAFTA Watch Vol. 15 Negotiators Holding Out Hope



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This publication is our fifteenth installment in a series designed to provide our clients in the manufacturing, transportation and logistics, and related industries with monthly updates on any actions taken by the Trump Administration, Congress, and/or federal governmental agencies with respect to the North American Free Trade Agreement (“NAFTA”).

Negotiations between Mexico, Canada and the United States in the month of April failed to produce an agreement. However, high-level talks are set to resume on May 7 when U.S. chief negotiator Robert Lighthizer returns from a trip to China.

While April negotiations saw progress, major issues remain regarding autos, farm goods and rules on investment disputes. President Trump continued to blend immigration issues in with NAFTA, recently tweeting, “Mexico, whose laws on immigration are very tough, must stop people from going through Mexico and

into the U.S. . . . We may make this a condition of the new NAFTA agreement.” President Trump’s practice of combining different issues for bargaining leverage has added to the uncertainty of whether an agreement will be reached in the near future. It was recently revealed that the Canadian government authorized \$30M in funding to crack down on entities that ship cheap foreign steel and aluminum through Canadian markets. Developments such as these are viewed as positive developments by American negotiators, as President Trump has threatened to impose tariffs on Canadian steel and aluminum in retaliation for their previous refusal to crack down on cheap imports.

Multiple factors are in play as negotiators continue to work towards a solution. Mexico’s presidential election will be held on July 1. Mexican leftist candidate Andres Manuel Lopez Obrador has a substantial lead in the polls and is more protectionist and nationalist, which would likely hamper negotiations concerning free trade. Pro free-trade Mexican negotiators and American negotiators both prefer to have a NAFTA agreement before a new government is seated in Mexico. The United States also must consider their trade laws that require that Congress approve any new trade agreement. Both Republicans and Democrats have expressed

concerns relating to a potential new NAFTA agreement. Senator Richard J. Durbin of Illinois said recently, “I think there is a mixed feeling about trade and some of the things the president has said, most of all, on the Republican side. They’re not comfortable with some of the talk on tariffs and trade wars and so forth, so I think all of us will look at it with some skepticism.” Republican lawmakers have aired concerns about the potential new deal, with Senator John Cornyn of Texas saying, “I regret that the administration has not been communicating very well what they are negotiating and I hope they come up with something that we can pass out of here, because I think NAFTA is pretty important.”

As noted in our previous installments, we expect the rapidly approaching Mexican and U.S. elections will likely cause negotiations to slow through the summer. Nevertheless, it appears negotiators on all sides are working on one final push in the month of May to come to an agreement before it is too late. If an agreement is not reached by the end of the month, it is likely an agreement will not be reached 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

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