

NAFTA Watch Newsletter Vol. 10 - NAFTA Renegotiation

Part 4: Negotiations without Trade Ministers

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This publication is our tenth 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").

In the fifth round of negotiations in Mexico City, negotiators made positive steps in areas that govern digital trade, telecommunications, anti-corruption, customs, and food safety standards and hinted that a deal is still possible. Although, the top trade ministers from each country agreed not to attend, signaling that no critical issue would come to resolution.

The principals continue to differ on critical issues, including trade dispute resolution mechanisms, rules of origin matters, and sunset provisions. The United States has insisted on raising the rules of origin threshold from 62.5% manufactured in North America to qualify goods for zero tariffs under NAFTA to 85%. In addition, the United States has asked that half of each car is manufactured in the United States, which auto producers oppose because such a mandate would drive up costs of production and make domestic vehicles less competitive against foreign-produced vehicles. The principals failed to resolve this issue, and Canadian and Mexican officials presented data to demonstrate the harm that such proposition would have on the United States auto sector. On November 15, more than seventy bipartisan members of Congress sent a letter to Robert Lighthizer, the United States Trade Representative, stating that the proposal of the United States for the automobile industry would weaken its global competitiveness.

In Mexico, United States negotiators proposed revised language to address Mexican truck drivers and trucks beyond the commercial border zones, which would allow the United States to unilaterally reduce the number of or eliminate Mexican carriers in the United States. As expected, Mexico rejected the proposal.

Throughout December, officials have scheduled an unofficial round of negotiations during which various negotiating groups are expected to meet with their counterparts in Washington, D.C. without the top trade ministers from each country. The principals hope that the informal nature of the December talks would present an opportunity to resolve issues before the sixth round of negotiations occurs in Montreal in January.

If a deal is not reached by the end of March, and the United States does not start withdrawal proceedings, the principals would likely agree to postpone negotiations until late 2018 to allow for Mexican and U.S. elections. 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 on this topic, contact a member of [Benesch's Transportation & Logistics Practice Group](#).

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