

NAFTA Watch Newsletter Vol. 14 – NAFTA Renegotiations: Tariffs and Retaliation

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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 on this topic, contact a member of Benesch's [Transportation & Logistics Practice Group](#).

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