NEWSLETTERS

NAFTA Watch Newsletter Vol. 17 – No Progress Until November?

JULY 2, 2018

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This publication is our seventeenth 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").

As the calendar flips to July and the mercury continues to rise, so do the tensions between Mexico, Canada, and the United States. In recent weeks, the U.S. has implemented tariffs on Mexican and Canadian steel and aluminum imports. In retaliation, Mexico and Canada have levied tariffs on U.S. everyday goods such as toilet paper, yogurt, fruit, and cheese. National Economic Council director Larry Kudlow said that Canadian President Justin Trudeau "really kind of stabbed us in the back" when asked for his comments on the Canadian tariffs. The U.S. stock market fell more than 1 percent last week, largely in response to the news on tariffs.

On July 1, President Donald Trump told reporters that he wants to wait until after the U.S. midterm elections to move forward on a new NAFTA deal with Mexico and Canada. He expressed a desire to make it "more fair" and that he was not happy with the current deal. Sources inside the Office of the United States Trade Representative have indicated that a new NAFTA deal is not likely before the end of the year. It is possible that the new U.S. Congress seated in January 2019 may have more Democrats elected that would be sympathetic to Trump's efforts to protect American trade interests, rather than the current free-trading Republicans who currently hold a majority. Further, Mr. Trump appears focused on who he will select to replace now-retiring U.S. Supreme Court Justice Anthony Kennedy and trade talks could take a back seat as a result.

While Mr. Trump was announcing his intentions to make NAFTA a better deal for the U.S., Mr. Trudeau asked his fellow Canadians to stick together as the trade war rages on and announced $2 billion in aid to companies affected by the trade war. In Mexico, populist candidate Lopez Obrador was elected as the next Mexican president by a wide margin. He has occasionally been a vocal critic of President Trump. However, Mr. Trump tweeted congratulations to Mr. Obrador after his victory was announced. Mr. Obrador will officially take power on December 1, which would parallel with a new U.S. Congress being seated in January 2019. With the three countries holding strong in their positions, it is appearing extremely unlikely that a new NAFTA agreement will be approved this year.

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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