

# NAFTA Watch Newsletter Vol. 18 – Is a New NAFTA Imminent?

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This publication is our eighteenth 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”).

Benesch has been following and reporting on NAFTA negotiations for a year and half. While our updates for the better part of the last eighteen months have focused on setbacks, disagreements, and tension between Mexico, Canada, and the United States (which are not unusual in protracted, multi-party negotiations), the negotiations recently enjoyed an unexpected late-summer boost.

Last week, Mexican and American trade officials met in Washington, D.C. to continue discussions, which had slowed after the countries announced new tariffs earlier in the summer. Notably absent from those discussions was Canada. While that should not be interpreted to mean that NAFTA will be retooled as a two-party agreement, it is significant that Mexico and the United States are committed to pushing forward with or without Canada.

Central to the early-August discussions were negotiations on automobile rules of origin, which we have reported on in depth in our prior installments. Specifically, the United States has demanded that 75% of automobile components come from the United States, up from the current 62.5%, while Mexico has stated that it is willing to accept 70%. The rules of origin have been a significant stumbling block in NAFTA negotiations, but it has been reported that the United States and Mexico are now close to an agreement.

Mexican and American trade officials are set to continue negotiations this week. While some contentious issues still remain, such a United States-advocated five-year sunset clause opposed by both Mexico and Canada, an agreement on rules of origin would be a major step in finalizing a new NAFTA. At the end of July, United States Trade Representative Lighthizer reported to a Senate subcommittee that NAFTA negotiations were in the final stages and he expected a deal to be approved by the end of the year. Considering, however, that President Trump must give Congress a 90-day notice before signing a new NAFTA agreement, Representative Lighthizer’s timeline is tight as it may coincide with November mid-term elections.

Regardless of the timing of any ultimate approval, this late-summer breakthrough is refreshing after many months of seemingly stagnant progress. 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 a member of the firm's Transportation & Logistics Practice Group.**

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