NEWSLETTERS

NAFTA Watch Newsletter Vol. 19 – Is Canada left out in the Cold?

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This publication is our nineteenth 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”).

While summer ends in a few short weeks, President Trump has kept the heat on America’s neighbor to the north in regards to the new NAFTA deal. Late last week, the Trump Administration announced that it had sealed a deal with Mexico to revamp NAFTA. Most importantly, American companies will be able to operate in Mexico without tariffs. Under the new deal, car companies would be required to manufacture at least 75 perfect of an automobile’s value in North America, up from 62.5 percent, to qualify for NAFTA’s zero tariffs. The deal also mandates that more local steel, aluminum and auto parts be used in the automobiles and have at least 40 percent of the car made by workers earning $16 an hour or more, a big win for labor unions.

President Trump, in an apparent attempt to strong-arm Canada into a new NAFTA deal, has threatened to leave Canada out of the new NAFTA agreement reached with Mexico. Over the Labor Day holiday weekend, President Trump tweeted that Canada was not a political necessity to the new NAFTA deal and that the country would be out if it did not agree to a deal that was fair for the United States. Members of Congress have a differing opinion on Canada, as Senator Lamar Alexander (R-Tenn.) has said no one is envisioning a NAFTA agreement without Canada. Senator Pat Toomey (R-Pa.) states that NAFTA is a trilateral agreement that should include Canada and must go through Congress to be changed.

President Trump’s questioning of the necessity of Canada to the trade deal has sparked concern among lawmakers and business leaders. President Nieto of Mexico has informed President Trump that Canada would be incorporated into the new NAFTA deal. Robert Lighthizer, trade representative for the United States, said that ideally Canada would be involved in the new NAFTA. Richard Trumka, president of the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), said over the Labor Day holiday weekend that Canada needs to be brought into the new deal, given the integrated economies of Canada, Mexico and United States.

Talks with Canada are set to resume this week in Washington, D.C. U.S. and Canadian officials are now working against a deadline that requires them to submit a final text of a proposed agreement to Congress by the end of September. If completed, then the new NAFTA agreement could be signed by all three countries before the end of November. If the last few months have been any indication, negotiations will go down to the wire.

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.

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