

NAFTA Watch Newsletter Vol. 4 – The Trump Administration’s Softened Tone on a NAFTA “Update”

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This publication is our fourth 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 Trump Administration gave Congress official notice on Thursday, May 18, that it plans to renegotiate NAFTA by providing a two-page letter to Congress from the newly confirmed United States trade representative, Robert Lighthizer. The letter was required under a law that mandates that the president give Congress at least 90 days’ notice before opening a trade negotiation. The notice is a much scaled-back version of the eight-page draft that Congress received in March, which proposed adding a provision to allow tariffs to be reinstated if a flood of imports threatened to harm a domestic industry.

Mexico’s Economy Minister released a statement welcoming the announcement, reaffirming its willingness to update the agreement and continue to regulate trade relations in North America. Canadian Prime Minister, Justin Trudeau, has echoed Mexico’s comments that an updated agreement would be a welcome change.

On May 30, thirty-two chief executives sent a letter to the Trump Administration, urging the administration to move swiftly on an update to NAFTA. They urged quick action and emphasized the benefits that they currently receive from the deal. A swift resolution, however, is unlikely. Transparency rules will create procedural delays in the negotiations, which will likely push the negotiations into the 2018 campaign season. Such timing will allow Democrats to press Republican lawmakers to live up to their campaign promises of more jobs and better jobs.

Few among Americans, Mexicans, and Canadians want a total overhaul of NAFTA. Most would prefer status quo on the overall structure and an update in various areas. Stronger intellectual property rights and a commitment from Mexico and Canada not to impose customs duties on digital products is one area in which we may see an update. Other outcomes that have been discussed include lower trucking rates, reduced trade which creates more warehouse space, and an increase in ocean rates as demand increases, but it is difficult to predict with certainty.

With negotiations beginning at the earliest in August 2017, it is too early to know how the negotiations will affect manufacturers and companies in the transportation and logistics industries. Benesch will continue to monitor negotiations and pre-negotiation releases of information 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, please contact a member of Benesch's Transportation & Logistics Practice Group.

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