NEWSLETTERS

NAFTA Watch Newsletter Vol. 6 – The Trump Administration's Objectives in Renegotiating NAFTA

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This publication is our sixth 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 first round of NAFTA renegotiations is scheduled to occur on August 16-20 in Washington D.C. The lead U.S. negotiator for NAFTA will be John Melle, the current U.S. assistant trade representative for the Western Hemisphere. Melle has been with the U.S. Trade Representative ("USTR") since 1988, holding a number of positions covering Mexico, Canada, the Caribbean, and Central America.

U.S. Trade Representative, Robert Lighthizer, published a list of objectives for the upcoming renegotiations. The NAFTA renegotiation objectives, although written broadly, suggest that the U.S. is leaning toward tariffs and quotas. Cutting the $63 billion trade deficit with Mexico is at the top of the list of objectives. One controversial way to mitigate the deficit with Mexico may be through tariffs. Products from Mexico, Canada, and the U.S. currently cross each border tax free. Any tariff must go through the World Trade Organization or a special NAFTA dispute settlement panel. President Trump's team has called for an end to the dispute settlement panel, which would make it easier to apply tariffs.

Several other objectives were key parts of the Trans-Pacific Partnership ("TPP"), an Obama-era trade agreement that President Trump criticized and withdrew from in January. Objectives similar to those of the TPP call for higher labor standards across all three countries, more stringent environmental laws, and stronger intellectual property protections. These would have the effect of reducing the attractiveness of Mexican labor to U.S. firms.

One objective is of particular interest to e-commerce and online retailers. If shoppers in Mexico buy more than $50 of U.S. goods, they have to pay Mexico's value-added tax, which discourages some extent of online shopping. President Trump's team has suggested raising that threshold to $800 across all three countries to encourage more e-commerce activity without value-added tax, which could lead to an uptick in cross-border goods transportation.

Those who are optimistic with President Trump's objectives have referred to this list as an ambitious standard to improve NAFTA. Others have called the objectives too vague and watered down versions of proposals in the TPP. The broad language of the list of objectives makes it difficult to predict how negotiations will affect manufacturers and companies in the transportation and logistics industries in the coming month. 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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