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**Status Report:  
Recent Actions & Key Policymakers in the  
Renegotiation of the North American Free Trade  
Agreement (NAFTA)**



May 10, 2017



# What Is NAFTA? Key Elements



NAFTA is a free trade treaty between the United States, Canada and Mexico that went into effect in January 1994 and made the three countries the largest free market in the world.



NAFTA was created to eliminate tariff barriers to agricultural goods, manufacturing and services; remove investment restrictions; and protect intellectual property rights.



Roughly 50% of tariffs were abolished immediately when the agreement took effect, and the remaining tariffs were gradually eliminated.



The agreement also opened the border and interior of Mexico to U.S. truckers and streamlined border processing and licensing requirements for commercial ground transportation.

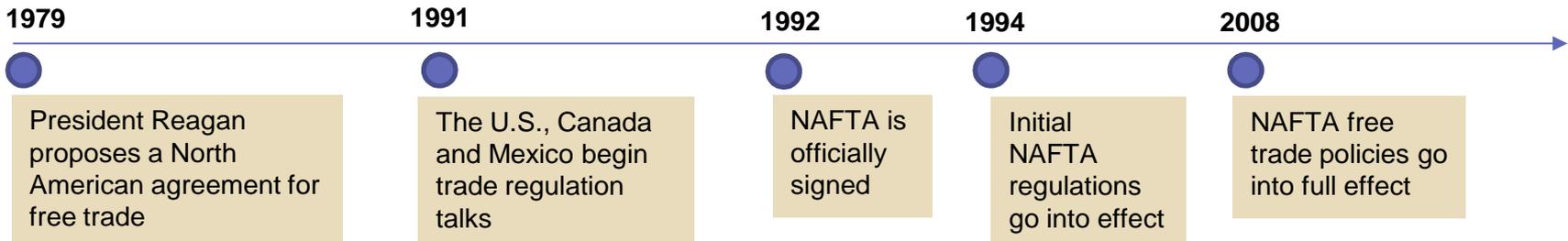


The three NAFTA countries agreed to strengthen and standardize health, safety and industrial standards.



NAFTA also created commissions with the power to impose fines against the signatory governments if they failed to implement the agreement's labor and environmental standards .

## NAFTA timeline

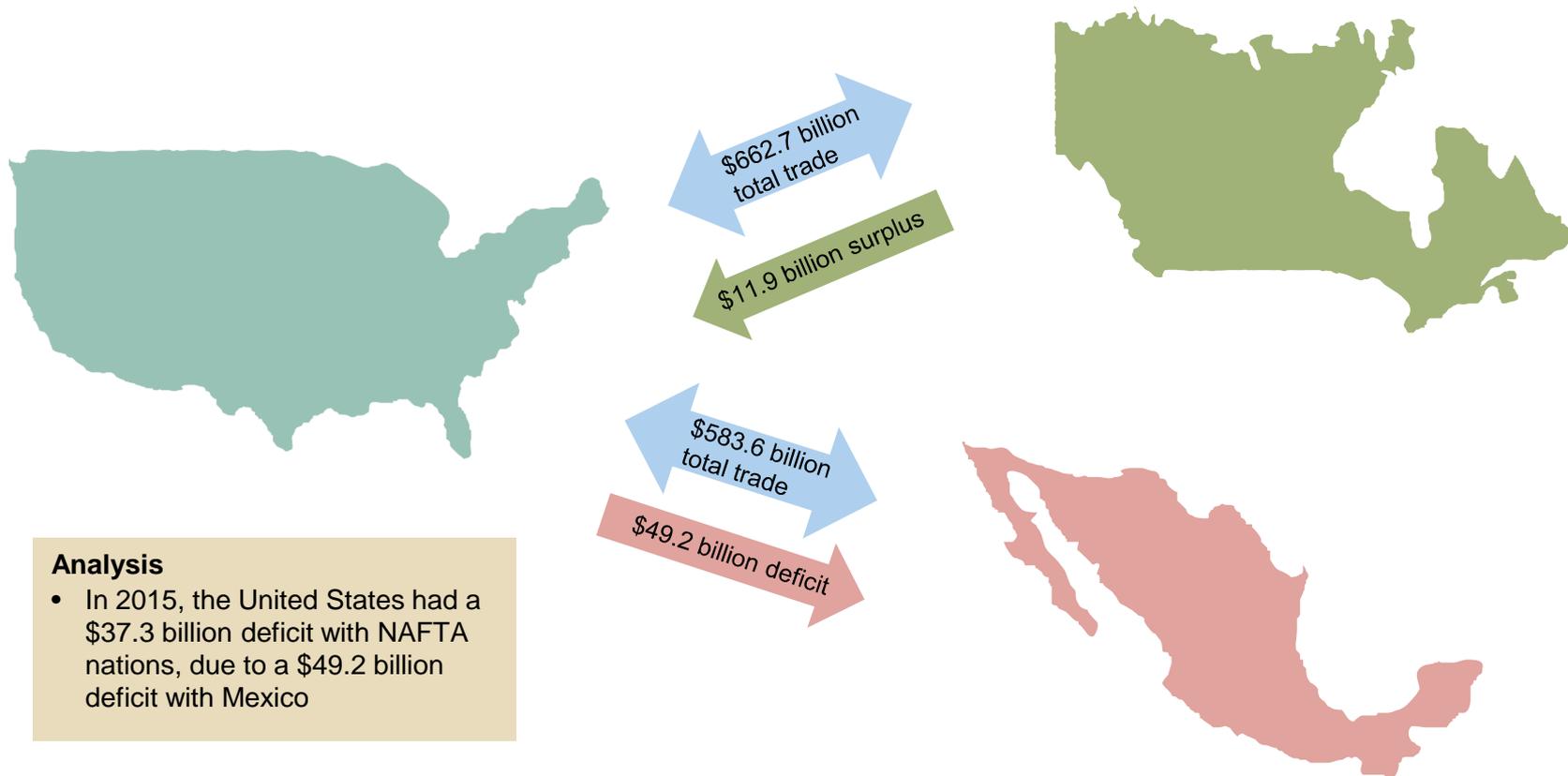


Sources: Global Training Center, Inc., "North American Free Trade Agreement (NAFTA)," 2014.



# Breakdown of Overall NAFTA Trade

Based on U.S. Trade Representative data for 2015 (combined goods/services)



## Analysis

- In 2015, the United States had a \$37.3 billion deficit with NAFTA nations, due to a \$49.2 billion deficit with Mexico

Sources: Office of the United States Trade Representative "US-Canada Trade Facts," "US-Mexico Trade Facts," February 23, 2017.



# President Trump and NAFTA

- During his campaign for president, Donald Trump repeatedly criticized NAFTA, calling it “the worst trade deal the U.S. has ever signed, [which] has [killed] and continues to kill American jobs.”
- As part of his plan for his first 100 days in the White House, President Trump stated that he “will announce [his] intention to renegotiate NAFTA or withdraw from the deal.”





# Requirements for Renegotiation/Withdrawal

- NAFTA negotiations must be authorized by Congress.
- The executive branch must formally inform Congress of its intention to renegotiate NAFTA to start a mandatory 90-day waiting period before negotiations can begin.
- The United States may also withdraw from the agreement but must give Canada and Mexico six months' notice before exiting.
- NAFTA Chapter 22 allows parties to withdraw from the agreement.



# NAFTA Chapter 22

NAFTA provides provisions for both amending the agreement and withdrawing:

- Article 2202: Amendments
  1. The Parties may agree on any modification of or addition to this Agreement.
  2. When so agreed, and approved in accordance with the applicable legal procedures of each Party, a modification or addition shall constitute an integral part of this Agreement.

- Article 2205: Withdrawal

A Party may withdraw from this Agreement six months after it provides written notice of withdrawal to the other Parties. If a Party withdraws, the Agreement shall remain in force for the remaining Parties.

# Timeline of Actions Related to NAFTA Renegotiation



- Jan 21, 2017 **Trump Pledges to Renegotiate or Repeal NAFTA**  
After signing an executive order removing the United States from the Trans-Pacific Partnership (TPP), the president pledges to negotiate “tough and fair” trade deals and hold a new round of NAFTA negotiations.
- Jan 24, 2017 **Mexican Ministers Travel to D.C. for Talks with Trump Officials**  
Mexico’s Economy Minister Ildefonso Guajardo and Foreign Minister Luis Videgaray meet with U.S. trade and foreign policy officials to better understand the administration’s plan.
- Jan 26, 2017 **Mexican President Cancels White House Visit**  
Enrique Peña Nieto cancels a visit after renewed tensions erupted over Trump’s plan to build a wall on the U.S.-Mexico border.
- Feb 1, 2017 **Mexico Announces NAFTA Consultation**  
The Mexican government begins a 90-day consultation with the country’s Senate and private sector before engaging in NAFTA renegotiation talks with the United States and Canada.
- Feb 13, 2017 **Canadian Prime Minister Justin Trudeau Visits the White House**  
Canada’s head of government discusses bilateral trade policy with President Trump.
- Feb 27, 2017 **Mexican Minister Makes Statement Against Border Tax**  
Mexico’s Economy Minister Ildefonso Guajardo states that Mexico will pull out of NAFTA renegotiations if the United States insists on implementing a border tax on Mexican exports to the United States.

# Timeline of Actions Related to NAFTA Renegotiation



# Updates on U.S. Actions on NAFTA Renegotiation



## Key recent update

After threatening to withdraw from the trade agreement, President Trump on April 26, 2017 informed the leaders of Canada and Mexico that he would “not terminate NAFTA at this time.”

- At the March 10, 2017 press event, Commerce Secretary Ross said he plans to send a letter “sometime in the next couple of weeks” notifying Congress that the Trump administration **intends to launch NAFTA negotiations in 90 days**. This notification has yet to occur.
- The **90-day period is required by the presidential fast-track negotiating authorization – known as Trade Promotion Authority** -- approved by Congress in 2015. Fast-track authority allows the president to negotiate trade agreements that Congress can vote on but not amend or filibuster.
- On April 26, President Trump stated, “I decided rather than terminating NAFTA, which would be a pretty big, you know, shock to the system, **we will renegotiate**,” saying, however, that if he is “unable to make a fair deal” he will “terminate NAFTA.”
- While Trump’s renegotiation plan is still ambiguous, his advisors have stated that they want to **reduce outsourcing of U.S. manufacturing jobs and establish stricter rules of origin**.
- As of the 110th day of the Trump presidency, formal notification to Congress on renegotiation has yet to occur.



Sources: Elizabeth Malkin, “Mexico takes first step before talks with US on NAFTA,” *The New York Times*, February 1, 2017; Ana Swanson and Joshua Partlow, “US and Mexico appear to take first steps towards renegotiating NAFTA, document suggests,” *The Washington Post*, February 2, 2017.

# Updates on Mexican Actions on NAFTA Renegotiation



## Key recent update

Mexico's Economy Minister Ildefonso Guajardo said during a March 10, 2017 press event with U.S. Commerce Secretary Wilbur Ross that Mexico does not consider separate bilateral negotiations with the United States and Canada an option for NAFTA reform.

- On February 1, 2017, Mexican President Enrique Peña Nieto announced that his **government would consult with the private sector for a period of 90 days** before participating in NAFTA renegotiation talks.
- **Mexican officials led by Guajardo have been meeting with lawmakers and domestic industry leaders** in farming, manufacturing, textiles, petroleum and other sectors. Guajardo stated at the March 10 event that Mexico will be ready to negotiate in May but will wait for the United States and Canada to undergo their own consultation processes before scheduling talks.
- In their joint meeting, Guajardo and Ross announced that they would seek to **resolve a dispute over sugar exports to the United States**, which Mexico recently suspended because it had reached the allowed import threshold.
- In February, Guajardo said that Mexico would **refuse to renegotiate NAFTA if the United States pushes for a border adjustment tax**, warning that Mexico would respond with tariffs of its own.
- **In negotiations, Mexico will seek to retain free market access to the United States**, its largest trade partner and the destination of 80% of its exports.



Sources: Elizabeth Malkin, "Mexico takes first step before talks with US on NAFTA," *The New York Times*, February 1, 2017; Ana Swanson and Joshua Partlow, "US and Mexico appear to take first steps towards renegotiating NAFTA, document suggests," *The Washington Post*, February 2, 2017.

# Updates on Canadian Actions on NAFTA Renegotiation



## Key recent update

At an energy industry conference in Houston on March 9, 2017, Prime Minister Justin Trudeau criticized the House Republicans' border tax proposal and expressed concern over any policy that "creates impediments at the border."

- Following his February 2017 meeting with Trudeau, President Donald Trump described the Canada-U.S. trade relationship as just **needing some "tweaking."** Canadian Trade Minister Francois-Philippe Champagne has commented approvingly on President Trump's statement.
- Despite Trump's statement, Secretary of Commerce Wilbur Ross has pointed to concerns over **digital economy regulations and rules of origin** as areas where the United States plans to ask Canada to make concessions.
- After a February meeting with Mexico's Foreign Affairs Secretary Luis Videgaray, Canada's Foreign Minister Chrystia Freeland said that **Canada's preference is for trilateral negotiations** – rather than the bilateral treaties suggested by the Trump administration.
- While Canada does not have a formal pre-negotiation consultation process like the United States, **ministers are required to present memoranda to the prime minister's cabinet** before trade talks. The government is also consulting with the private sector about the impact of NAFTA renegotiation.
- Canada will likely seek concessions on **trade dispute settlement provisions, rules of origin and access to U.S. public procurement.**



Sources: Elizabeth Malkin, "Mexico takes first step before talks with US on NAFTA," *The New York Times*, February 1, 2017; Ana Swanson and Joshua Partlow, "US and Mexico appear to take first steps towards renegotiating NAFTA, document suggests," *The Washington Post*, February 2, 2017.

# Key U.S. Players in NAFTA Negotiations



## **Wilbur Ross**

*Secretary of Commerce*

- Leads the Trump administration's trade negotiations with Mexico.



## **Peter Navarro**

*Head of the Office of Trade and Manufacturing Policy*

- Has helped develop the U.S.'s NAFTA renegotiation proposals and held talks with key Mexican officials.



## **Robert Lighthizer**

*U.S. Trade Representative nominee*

- Responsible for conducting bilateral and multilateral trade negotiations.
- The Senate Finance Committee held a confirmation hearing for Lighthizer on March 14, 2017.

# Key Mexican Players in NAFTA Negotiations



**Ildefonso Guajardo**

*Secretary of the Economy*

- Leads negotiations with the United States and consultations with Mexico's private sector.



**Luis Videgaray**

*Secretary of Foreign Affairs*

- Organized Trump's campaign visit to Mexico in August.

# Key Canadian Players in NAFTA Negotiations



**Francois-Philippe Champagne**

*Minister of International Trade*

- Responsible for conducting bilateral and multilateral trade negotiations.



**Chrystia Freeland**

*Minister of Foreign Affairs*

- Has expressed Canada's preference for trilateral negotiations.



# Our Trump and Trade Team



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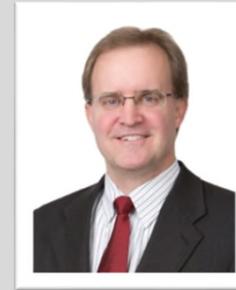
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