

Snap | 1 October 2018

CANADA UNITED STATES

Nafta's just been saved but will Congress cooperate?

The United States-Mexico-Canada Agreement is here with concessions on core issues from all, but the real test will be passing this through Congress after the mid-term elections



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Just hours before the 1 October deadline, the US reached an agreement with Canada over a new North American Free Trade Agreement (NAFTA) deal. This was just in time, as president Trump had threatened to withdraw from the previous agreement if no new deal was reached.

After Congress is informed about the new deal, it will have 60 days to review the deal before it is signed, which is December the 30th.

What's striking is that under the new trade deal, the US tariffs on steel and aluminium will remain, but earlier in the negotiations, this was a no-go for Canada.

Given Mexican president Enrique Pena Nieto's term ends in December, 1st October was also

the deadline for any new agreement with Mexico under his authority before the new populist president Andres Manuel Obrador takes office. Now the Mexican parliament has to give consent for the new trade deal.

The text for the trade agreement was published this morning and what we know so far from media reporting is that Canada has agreed to expand access to its dairy markets and a cap to its car exports to the US of 2.6 million (current levels: 1.8 million). Mexico has also agreed on higher content requirements for automobiles as well as minimum wage requirements for workers in the production of NAFTA qualified automobiles.

The three countries have also agreed on new intellectual property laws with regards to e-commerce and pharmaceuticals, but the US has negotiated that the dispute settlement system remains unchanged. The most striking thing is that under the new trade deal, the US tariffs on steel and aluminium will remain, even though this was a no-go for Canada earlier in the negotiations.

When the new deal is signed, Congress will have to implement the agreement into US law to be effective. However, Congress will not be voting on the issue until next year, which could be challenging if the Democrats regain control of the House of Representatives during the mid-term elections in November, and this could become a real hurdle for the Trump administration.

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