



Trump is cracking the Mexico-Canada united front on NAFTA

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The Trump administration has driven a widening crack between the united front that Mexico and Canada maintained throughout the past year during the negotiations to rewrite the North American Free Trade Agreement. Mexican officials are getting increasingly impatient with Canada's refusal to assent to its bilateral deal with the U.S. and appear to be warming up to the idea of separate bilateral deals with its NAFTA trading partners.

"Mexicans feel like they are the ones that had to put up with more pressure from the United States, that the demands that they had to put up with were greater than the ones that the U.S. is making of Canada," said Juan Carlos Hidalgo, senior analyst for Latin American policy at the free-market Cato Institute. "Certainly there is a perception in Mexico that Canada should be more collaborative. There is a growing frustration on the Mexican side with Canada."

The U.S. is currently locked in negotiations with Canada to gain its assent as a NAFTA partner to a bilateral trade deal the administration struck with Mexico last month. Little progress has been made, with U.S. Trade Representative Robert Lighthizer saying Tuesday, "There is still a fair amount of distance between us. There are very large issues. ... We are sort of running out of time."

The administration has until the end of the month to get the trade deal approved by Congress if it wants it to get it cleared before current Mexican President Enrique Pena Nieto, who negotiated it, steps down from office. It is not clear if incoming President Andres Manuel Lopez Obrador, a leftist and NAFTA critic, would support the deal as written.

The Trump administration has said it'll seek approval from Congress even if Canada doesn't sign on. "We'll take a look at the landscape" if Canada cannot be brought on board, House Ways and Means Committee Chairman Kevin Brady, R-Texas, told reporters Tuesday.

Lopez Obrador had previously tried to steer clear of any deal that Pena Nieto negotiated. It is a delicate matter for him, since he is a NAFTA critic but the trade deal is popular in Mexico, with many there linking it to the country's recent prosperity. The current White House push to get the U.S.-Mexico deal approved by the end of the month is mainly an effort to keep Lopez Obrador, who takes office on Dec. 1, out of the fray. Under the terms of Trade Promotion Authority, the law governing submitting trade deals to Congress, lawmakers must approve it 60 days before it can be signed.

"Nieto has to sign it on his last day in office. That's November 30. That is acceptable to López Obrador, who takes office the next day," Lighthizer said Tuesday, adding if it doesn't happen by then, it would have to be renegotiated with with the new Mexican administration. "We don't know where that would go at all.

But Lopez Obrador has said repeatedly he'd honor the deal if Pena Nieto signed it and has indicated more recently he'd be willing to negotiate something very similar himself. He is also open to President Trump's position of separate bilateral deals with NAFTA partners. "In the event that the governments of the United States and Canada do not come to an agreement ... we would have to maintain the bilateral deal with the United States and seek a similar deal with Canada," Lopez Obrador said in Mexico City Friday.

The same day, Lopez Obrador's economic adviser Sergio Silva said at a meeting of border city mayors in San Antonio that "we hope that it will be an agreement of the three countries, but we are going to do it in whatever manner we need to do it."

Bryan Riley, trade policy analyst with the National Taxpayers Union, says the incoming Mexican government is signaling that it doesn't want to renegotiate the deal the previous administration struck. "Obrador just doesn't want to miss out on the opportunity to move forward with the deal. He is also saying that maybe he can get a better deal with Canada," if they had to strike a separate bilateral deal with it.

Hugo Perezcano Diaz, deputy director of the international law research program at Canada's Centre for International Governance Innovation, said Lopez Obrador's comments are in line with what the current Mexican administration has been saying since August when they reached a deal with the US. "Mexico would prefer a trilateral deal but they are prepared to go bilateral with the US if Canada and the US cannot reach an agreement by the newest in a series of deadlines."

Hidalgo sees it similarly. "It looks like the incoming [Mexican presidential] administration is reaching a position where they say ... 'Let's move ahead with just a bilateral agreement with the United States.'"

The U.S.-Mexico deal alters the so-called "rules of origin" under NAFTA by setting at 75 percent the amount of North American-made parts needed for a car or truck to be duty-free under NAFTA, up from 62.5 percent. It also required that at least 40 percent of all auto content be made by workers making at least \$16 an hour or its equivalent.

An agreement with Canada has been held up over issue involving its use of dairy price supports and concern over the the U.S.-Mexican deal's impact on Chapter 19 of NAFTA, which involves settling disputes over levies and anti-dumping rules. Maintaining the provision was a key concern for Canada. The U.S.-Mexican deal scraps it.

A spokesman for the Canadian embassy said, "We are focused on a good deal for Canada and Canadians."