



## NAFTA and the Future

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A key political issue, as U.S. producers await the name of the new administration's nominee for Secretary of Agriculture, is the future of ag trade. In fact, there is at least some opposition among Republican supporters for preserving and expanding ag's overseas sales.

Politico is reporting this week that although President-elect Donald Trump rode into the White House "on a wave of working-class hatred for NAFTA," he's going to find it tough to deliver on his promise to scrap the trade agreement that he blames for sending U.S. jobs abroad.

The reason, Politico says, is that "dramatically changing the pact could instead threaten 14 million American jobs that rely on trade with Canada and Mexico and send tremors throughout the North American business community, which has invested billions of dollars in developing ways to manufacture everything from cars and airplanes to pharmaceutical products using labor from multiple countries.

"There could be some tectonic shifts," said Dan Ikenson, director of the trade policy center at the free-market Cato Institute. "The slightest hint that things are going to be disrupted could cause capital flight from the U.S."

Trump's contempt for NAFTA was a cornerstone of his message to the working-class voters who elected him. However, NAFTA was forged by an earlier generation of Republican leaders, including President George H W Bush, Secretary of State James Baker and U.S. Trade Representative Carla Hills, before President Bill Clinton signed it into law in 1994. And, even now "few business groups are clamoring for a renegotiation, and many are warning that Trump's threat to withdraw from NAFTA will actually cause the loss of millions of industrial jobs instead of saving them," Politico says.

"You want to get rid of NAFTA?," U.S. Chamber of Commerce Tom Donohue asked in an interview with Fox News earlier this year. "NAFTA is 14 million jobs in the United States."

Meanwhile, the National Association of Manufacturers calls NAFTA "a boost to U.S. manufacturing competitiveness."

"We look forward to working with government officials on possible improvements to reduce barriers and improve U.S. manufacturing competitiveness given the agreement is now over 20 years old," Linda Dempsey, vice president of international economic affairs at the manufacturers group, told Politico. At the same time, it is critical not to put at risk the 2 million U.S. manufacturing workers whose jobs rely on US exports to Canada and Mexico.

So far, Trump has offered few details about what changes he'd like to make to the pact. Business groups are hoping they can convince him to instead "fix" the agreement in ways that will benefit them.

In an ironic twist, many business groups hope Trump will steal ideas from the Trans-Pacific Partnership as he seeks to upgrade NAFTA. That should be possible since both Canada and Mexico are part of the 12-nation deal that Trump is vowing to jettison on his first day in office. They'd like to see rules similar to those in the TPP covering digital trade and the movement of electronic business data across borders, concerns that didn't exist when negotiators crafted NAFTA.

Meanwhile, whatever Trump decides to do on NAFTA, it won't be as easy as simply issuing an edict. He'll have to work closely with his counterparts in Mexico and Canada. Both Mexican President Enrique Peña Nieto and Canadian Prime Minister Justin Trudeau have indicated their willingness to revisit parts of NAFTA, but they say they won't stand for tariffs or other punitive measures that Trump has suggested, Politico says.

Canada and Mexico are the second- and third-largest markets for U.S. farm goods, behind China. The three countries are also closely integrated in many manufacturing sectors, such as autos and steel, making any talk of U.S. tariff hikes to bring jobs back to the United States a double-edged sword since it could make the entire region less competitive.

"What we're looking for is to move forward, not backtracking," Kenneth Smith Ramos, head of Mexico's trade and NAFTA office in Washington. The veteran trade negotiator said he would also like to remind the incoming Trump administration that Canada and Mexico are the top two export destinations for the United States, taking in more than \$500 billion in U.S. goods each year.

"We are your top clients," Ramos said. "We sell a lot to the U.S., but we buy more from the U.S. than Brazil, Russia, India, China countries combined and all of Western Europe combined. So that has to be valued, and we have to work together."