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Chance of Nafta Deal in 2018 Diminishes as Talks Drag Past Congressional Deadline

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WASHINGTON — The prospect of rewriting the North American Free Trade Agreement this year appeared to diminish significantly on Thursday, as a deadline set by congressional Republicans passed and the lead American trade negotiator, Robert Lighthizer, said the countries involved were “nowhere near close to a deal.”

To get an agreement approved by the current, Republican-controlled Congress, Speaker Paul D. Ryan set a May 17 cutoff for the White House to notify Congress of an impending deal. As that deadline came and went on Thursday, Canada, Mexico and the United States remained at odds over significant portions of the sprawling 24-year-old agreement.

Trade advisers across the political spectrum cautioned that the current Congress could still vote on the deal this year if negotiators wrapped up their talks in the next few weeks. But with significant disagreements remaining among the three countries as well as disparate views among the lawmakers who must approve the deal, the chance of Nafta’s quick resolution is diminishing.

In a statement on Thursday, Mr. Lighthizer, the United States trade representative, said that “gaping differences” remained between the countries on intellectual property, agriculture, energy and other areas. “We of course will continue to engage in negotiations, and I look forward to working with my counterparts to secure the best possible deal for American farmers, ranchers, workers and businesses,” he added.

The delays could leave the future of a revised Nafta in the hands of Democrats, if they win one or both houses of Congress in this year’s midterm elections. And that in turn would most likely increase the chances that President Trump’s Nafta deal would not be ratified by Congress at all, trade experts say.

Trump officials had been angling for a quick agreement to avoid that possibility and appeared to be making progress last week on key provisions related to automobiles. But the three countries

have yet to finalize the auto terms and remain divided on some provisions, as well as other controversial points, like the Trump administration's proposal to add a five-year sunset clause to the deal and scale back legal protections for foreign investors.

Further complicating the talks is Mr. Trump's insistence that Mexico address the flow of migrants into the United States and his threat to tie immigration to the revised agreement.

American officials have proposed limiting the flow of migrants into the United States by creating what is known as a "Safe Third Country" agreement with Mexico. That would allow American border officials to turn away asylum seekers who use Mexico as a path to the United States.

The United States has such an agreement with Canada, and forging a similar pact with Mexico could significantly reduce the number of migrants flowing in over the southern border. But such a deal would create logistical and financial burdens for Mexico in dealing with asylum seekers, many of whom travel from Central America and through Mexico on their way to the United States.

Mexican officials — including the economy secretary, Ildefonso Guajardo, who is leading the Nafta talks — have insisted that the negotiations be confined to the content of the agreement itself, and not include immigration.

But the issues remain linked for Mr. Trump, who tweeted last month: "Mexico, whose laws on immigration are very tough, must stop people from going through Mexico and into the U.S. We may make this a condition of the new NAFTA Agreement."

Officials from both countries met on Thursday for the first of two days of scheduled talks on a range of issues related to immigration.

Sarah Huckabee Sanders, the White House press secretary, declined on Thursday to comment on continuing negotiations but said that, on immigration, "the president does want to see Mexico step up and do more."

Until last Friday, Mexican officials thought they had come to a compromise with their American counterparts on a key part of Nafta as they neared agreement on rules that would raise the share of an automobile's content that has to be made in the region to qualify for zero tariffs, and rules governing the minimum wages of those working on autos, according to a Mexican government official with knowledge of the talks.

The Mexicans have been eager to finalize an accord before their presidential election, which is scheduled for July 1. The Americans, believing the Mexicans would bend on the automobile rules to get a deal quickly, insisted on a toughened position last week and the Mexicans responded by rejecting the proposal, saying they would rather have no deal than a bad deal, according to officials briefed on the talks.

Michael C. Camuñez, a former official in the United States Commerce Department, said Mr. Lighthizer was pressing last week for the three countries to come to a separate agreement on the auto industry. In return, Mexico had expected flexibility on some points of contention, he said.

Mexican and Canadian negotiators insist that the Trump administration faces its toughest hurdles internally. Republicans now control both houses of Congress and could greatly accelerate or impede the ratification of a revised Nafta deal. But congressional Republicans, along with many business groups, oppose several of the Trump administration's signature proposals for overhauling Nafta, including the sunset clause and changes to investment rules.

The congressional calendar provides a short window for the current Congress to approve a revised pact. If Democrats take control of one or both chambers of Congress in the midterm elections, that could diminish the administration's chances of getting a vote at all.

Republicans are now urging the administration to come to a quicker resolution, which may require leaving some of those more difficult proposals on the cutting room floor.

"We'll see if they can get this done by May 17 and get us the paper to Congress," Mr. Ryan, Republican of Wisconsin, said on May 9. "Which then we could have this vote by December. If we can't, then we won't."

Representative Kevin Brady, the chairman of the powerful House Ways and Means Committee, reiterated those comments on Tuesday.

"We believe for the 115th Congress to vote this year on a new, modern Nafta, that this week is important for the negotiators to complete their work," said Mr. Brady, Republican of Texas. "So we're hopeful they'll continue to make progress on this agreement."

The pressure from congressional leaders may be an indication that they are losing their motivation to hold a vote this year.

Daniel Ikenson, the director of trade policy studies at the libertarian Cato Institute, said that if the administration notified Congress of its intent to sign a deal by the end of the month, that should be enough time for lawmakers to consider it in the lame duck session. He said Mr. Ryan's deadline was most likely an effort to get the Trump administration to pare back some of the demands that lawmakers think are not in the best interest of companies or workers.

"I think the best way for Trump to secure Republican support is just stop the charade, recognize you've made a go of it, maybe some things in the agreement will be updated, but it's time to stand down," Mr. Ikenson said. "I do think that's what Ryan and Republicans are hoping for."

Still, trade experts agree that the timeline for getting the colossal agreement through the current Congress is drawing uncomfortably close. And on June 1, the Trump administration's exemption for Canada and Mexico from the steel and aluminum tariffs will once again expire, adding another source of tension to the talks.