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## Trump could hit a brick wall on NAFTA

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President-elect Donald Trump may have ridden to the White House on a wave of working-class hatred for NAFTA, but 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.

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 has been a cornerstone of his message to the working-class voters who elected him. The pact 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 being signed into law by President Bill Clinton in 1994.

But 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.

"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 — the incoming administration, leaders in Mexico and Canada — 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, wrote in an email. "At the same time, it is critical not to put at risk the 2 million U.S. manufacturing workers whose jobs rely on U.S. exports to Canada and Mexico."

So far, Trump has offered few details about what changes he'd like to make to the pact, other than threatening to withdraw from it entirely unless Mexico and Canada agree to new terms.

Business groups are hoping they can persuade 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 another trade agreement — 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.

Mexican President Enrique Peña Nieto and Canadian Prime Minister Justin Trudeau have each indicated their willingness to revisit parts of NAFTA, but they have some leverage considering the estimated 9 million American jobs that depend on trade with Canada and the 5 million that depend on trade with Mexico. And they won’t stand for tariffs or other punitive measures that Trump has suggested.

Canada and Mexico are the second- and third-largest markets for U.S. farm goods, behind China. The three North American 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 because 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, told POLITICO Pro earlier this month. “So, anything involving [an] increase in tariffs, anything along those lines, we feel is a big detriment. It’s shooting ourselves in the foot.”

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. “Mexico is not a country that simply comes to ask for concessions from the United States. We work together with the U.S. We sell a lot to the U.S., but we buy more from the U.S. than all the BRIC [Brazil, Russia, India, China] countries combined and all of Western Europe combined. So that has to be valued, and we have to work together.”

Instead, the business groups are calling for implementation of the TPP agreement and the pursuit of other trade deals, including the Transatlantic Trade and Investment Partnership with the European Union, which faces an uncertain fate under the new administration.

Even fans of NAFTA say there is plenty of room to improve the pact without disrupting long-standing business relations.

“If you look at NAFTA, there’s an energy chapter, but there’s nothing there,” said Grant Aldonas, a former undersecretary of Commerce for international trade. “This is a real opportunity to do real liberalization if you decided you want to approach NAFTA the way that you should, which is the ground rules are pretty good, but there’s a lot more we can do.”

