

THE WALL STREET JOURNAL.

Trump Team Pushes Toward Nafta Deal as Congressional Pressure Climbs

William Mauldin

April 8, 2018

The Trump administration, facing hard deadlines and growing pressure from Capitol Hill over the president's trade powers, is accelerating negotiations to overhaul the North American Free Trade Agreement and seeking to put together a deal as soon as the coming weeks.

The trade negotiators are "working very hard," Treasury Secretary Steven Mnuchin said Friday. "This is a big focus of the president: He wants to renegotiate the deal, but he's also very determined that we get specific points," Mr. Mnuchin said in an interview with CNBC.

Since launching in August, the talks to update and revise the 24-year-old pact generated little progress on the major issues, with Canada and Mexico initially balked at working with the Trump administration on controversial proposals many businesses say would weaken the agreement.

Then, last month the three countries achieved a breakthrough on contentious rules for auto trade that are at the core of the agreement. President Donald Trump's top trade official has been meeting with Mexican and Canadian counterparts in recent days to assess the possibility of some sort of deal—perhaps an agreement in principle without final details—as soon as possible.

"We'll have something, I think, fairly soon," Mr. Trump said Thursday in remarks in West Virginia, adding that he wouldn't "rush" into a deal. "We get it done right or we'll terminate it."

Mr. Trump has repeatedly threatened to withdraw the U.S. from Nafta unless he gets more favorable terms for the U.S. He has kept up the heated rhetoric this past week, calling Nafta a "cash cow" for Mexico and citing the pact in pressuring the country's authorities to stop a caravan of Central American immigrants traveling toward the U.S. border.

The Trump administration has sought to use the negotiations to change the North American auto industry rules to bring back jobs from abroad, insert a "sunset" provision that triggers a periodic review of Nafta and roll back dispute-resolution systems that are popular with businesses and the

governments of Canada and Mexico. Those proposals are generally popular with labor groups but heavily criticized by big businesses and some Republican lawmakers.

Time is running short to get a deal signed and ratified without major complications. Mexico's presidential election in July could bring a populist candidate to power who wouldn't support the current government's proposals. The U.S. is also preparing for midterm congressional elections, which often divide political parties and states in unpredictable ways, halting difficult trade votes and delaying international agreements.

Still, the biggest obstacle the Trump administration faces may be a 2015 trade law that sets the rules of the game for the negotiation and passage of deals such as Nafta.

'The administration knows that Congress could start doing things that would undermine the president's aggressive approach to trade'

—Dan Ikenson of the Cato Institute

"The administration knows that Congress could start doing things that would undermine the president's aggressive approach to trade," said Dan Ikenson, senior trade expert at the Cato Institute, a libertarian think tank.

In recent days three Republican senators on the finance committee have warned the Trump administration over the renewal of so-called fast track or trade promotion authority, the special powers given to the president in the 2015 law. Fast track is set to be renewed automatically July 1 unless Congress moves to block it.

"There's recourse" for Congress on trade, said Sen. Pat Toomey (R., Pa.), referring to lawmakers' role in the renewal of fast-track authority and other steps lawmakers could take. Sen. Pat Roberts (R., Kan.) said in an interview with McClatchy that renewal of the trade authority is no longer a "given." And the chairman of the committee, Sen. Orrin Hatch (R., Utah), told U.S. trade representative Robert Lighthizer he will use the renewal process "to get further details on your plan" for Nafta and other potential deals in accordance with congressional guidelines.

Congressional aides say the House is unlikely to revoke fast track. But the Senate, acting without the House, has the power to strip Mr. Trump of the authority with majority votes in the committee and full chamber and could do so with support from Democrats. Trump officials have mentioned July 1 as a deadline for Nafta in part because the renewal of fast track could be threatened by lawmakers opposed to Mr. Trump or his recent tariffs on metals imports or Chinese goods.

The 2015 law sets out negotiating objectives for trade agreements, giving lawmakers room to interpret whether Mr. Lighthizer and other officials followed congressional guidelines in any final deal.

Congressional aides say that even though they have had repeated briefings from trade officials about Mr. Trump's tariff confrontation with China, they haven't heard the latest about the direction of closed-door talks among Mr. Lighthizer and his Mexican and Canadian counterparts, who met Friday in Washington.

“It is imperative that the Trump administration provide more transparency into what it’s aiming to achieve and to improve its consultations with Congress,” said Sen. Ron Wyden of Oregon, the top Democrat on the Senate committee, in a statement Friday.

The Nafta countries originally set January 2018 as the goal for concluding Nafta talks, then pushed the deadline to March 31. At the end of March, Mr. Lighthizer said, “I’m optimistic we can get something done in principle in the next little bit.”

Any agreement in principle would still need to be fleshed out with final text in coming weeks to reach Congress this year under built-in delays set out in the 2015 trade law.

Advisers and trade experts say a quick deal would be difficult to achieve. “It would require a big reversal of U.S. demands in four or five areas, and a tremendous amount of work on other issues—intellectual property and other areas where progress hasn’t been very far-reaching to date,” said Jeffrey Schott, senior trade expert at the Peterson Institute for International Economics, which supports trade liberalization.

The latest proposals include an effort to count high-wage labor in a complicated calculation of how much North American content makes up cars and auto parts in the region. Cars and parts that don’t meet the content threshold—which the Trump administration is seeking to raise significantly—won’t be eligible for duty-free trade in the bloc, and officials have expressed concern in Mexico, where wages are lower.

Pat D’Eramo, chief executive of Canada-based automotive supplier Martinrea International Inc., said any move to add a specific wage level for duty-free trade in Nafta would likely make the automotive industry less competitive over the long term.

But Trump administration officials say tightening the “rules of origin” in the auto industry will bring back automotive jobs to the U.S. and crowd out Asian-sourced components.