

NAFTA countries claim progress in second round, rocky road ahead

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The United States, Canada and Mexico on Tuesday wrapped up the second round of talks to update their trilateral trade pact, claiming they made progress and are striving to conclude the talks by the end this year. But experts say the road ahead will not be flat.

"Important progress was achieved in many disciplines," said U.S. Trade Representative (USTR) Robert Lighthizer, Canadian Foreign Affairs Minister Chrystia Freeland and Mexican Economy Minister Ildefonso Guajardo in a trilateral statement after wrapping up their five-day talks in Mexico City.

The lead negotiators from the three countries said the latest talks had consolidated proposals for subsequent rounds of negotiation, including the third round of the North American Free Trade Agreement (NAFTA) talks slated for Sept. 23-27 in Ottawa, Canada.

They vowed to conclude the process towards the end of this year despite U.S. President Donald Trump's recent threat to terminate the 23-year-old trilateral trade deal, among others.

Both Lighthizer and Guajardo said there was progress in the areas of e-commerce, competitiveness, small- and medium-size companies, and the environment.

However, the thornier issues, such as rules of origin and dispute resolution rules, were still pending.

Trump took office with a pledge to revise NAFTA, to better benefit U.S. industries and jobs, but recently announced at a rally that he was also considering withdrawing from the treaty.

Simon Lester, a trade policy analyst with Cato Institute, a Washington-D.C. based think tank, believed Trump's threat of NAFTA termination was "a negotiating tactic" and Trump was unlikely to withdraw from the deal at the current stage.

"In theory, you can gain leverage in any negotiation by threatening to walk out. It's not clear how much credibility Trump's threat has, though," Lester wrote in a recent analysis, noting Trump might not have the legal authority to terminate NAFTA without Congressional approval.

Also, Mexico will have a general election in July 2018 and the U.S. congressional mid-term elections are slated for next fall.

Trade experts doubt NAFTA talks will be quickly finished due to the extensive agenda and contentious issues among the three countries.

"Because the agenda of the negotiations is so extensive, so comprehensive, it will be very difficult for the three countries to come together on agreement on this entire agenda of issues in the next few months," said Jeffrey Schott, a trade expert and senior fellow at the Washington-D.C.-based Peterson Institute for International Economics.

"There will be delays caused by electoral considerations, which will limit the flexibility of negotiators to make commitments and compromises before votes are taken," he said, adding it's "very possible" that NAFTA negotiations "will still be ongoing in 2019".

The renegotiation of the NAFTA was still at a "very early stage," and cannot be assessed yet, Mexico's Confederation of National Chambers of Commerce (Concanaco) said Monday.

"They are starting to move some topics, but still at the initial stage of proposals, analysis and possibilities," Concanaco's President Enrique Solana told reporters, as he was leaving the hotel hosting the second round of talks in Mexico City.

"There is still time to go before there can be news on the matter. Right now, they are revising, talking and adjusting. They are warming up their engines. It's too soon to say how the talks are going," added Solana.

The three-way talks, which began with a first round held in Washington in August, aim to update the 1994 trade deal at the request of the United States.

Trump insisted the agreement be renegotiated, claiming it unfairly benefited Mexico at the expense of U.S. industries and jobs.

The United States also wants to amend rules of origin so that NAFTA goods that benefit from tariff exemptions include a higher percentage of components made in North America, another demand Mexico is resisting.