



## **US and Canada working furiously to come to NAFTA agreement**

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The U.S. and Canada are working furiously to reach an agreement by Sunday, a self-imposed deadline to complete an updated North American Free Trade Agreement (NAFTA).

President Trump was prepared to give up on the weekend deadline with Canada because the United States and its largest trading partner still had major issues left to resolve.

Instead, the White House and Mexico on Friday held off on releasing the text of a Mexico-only deal as negotiations ramped up between the U.S. and Canada in an effort to meet the deadline.

Behind the scenes, U.S. and Canadian trade negotiators had been pushing forward on talks all week. Then on Saturday, Canadian Foreign Minister Chrystia Freeland canceled her scheduled speech before the United Nations to head back to Ottawa to work with her trade team.

Meanwhile, Canadian officials had reported talks as "intense" but they were still cautious about a breakthrough by the end of the weekend, according to news reports.

The nations are rushing to complete the three-nation deal so it can be signed by Mexican President Enrique Peña Nieto before he leaves office on Dec. 1.

His successor, the newly elected, left-leaning Andrés Manuel López Obrador may demand further negotiations once he takes office.

Trump touted the deal with Mexico during a rally in West Virginia on Saturday night and said he'll see what happens with Canada but "they have to come along."

But pushing the deadline carries risks beyond Mexican politics.

Under the president's existing trade promotion authority, the administration must make public the text of any new treaty 60 days before it is signed

Congressional Republicans, who met with U.S. Trade Representative Robert Lighthizer Thursday, said Canada's inclusion in the deal is important, but they seemed intent on strengthening Trump's negotiating position by threatening to approve a Canada-free deal if Ottawa doesn't join.

"I think the window is closing rapidly on Canada to be part of this, and if they want to run the risk of not being part of an agreement with Mexico and us, that's something they need to

recognize is going to be a reality here in the very near future,” said Rep. Tom Reed (R-N.Y.), a member of the House Ways and Means Committee, which oversees trade policy.

But others noted that a Canada-free NAFTA would put a drag on the U.S. economy. Trump has threatened to slap auto tariffs on cars coming in from Canada, a move that would hit U.S. automakers and auto parts dealers.

“I think it could be very damaging for many industries that work profusely, primarily with Canada,” said Rep. Mark Walker (R-N.C.).

Business groups have been steadfast in saying they won’t back a deal without Canada.

Bryan Riley, director of the Free Trade Initiative at the National Taxpayers Union, said that a revised NAFTA agreement "that does not include Canada should be a non-starter for American taxpayers, consumers and businesses.”

“It is an immense failure not to secure Canada’s participation,” Riley said on Friday.

Meanwhile, U.S. Chamber of Commerce President and CEO Thomas Donohue said recently that “if Canada doesn’t come into the deal, there is no deal.”

Congress has flexibility with fast-track deadlines, so Canada could still be accommodated whenever a deal is worked out.

“Obviously these are congressionally set legislative parameters, and if Congress wants to change that, I’m sure we can make it happen, regardless of the interpretations that are out there,” Reed said.

The prospect that Democrats retake the House in November's midterm elections is adding an additional layer of uncertainty to the process.

Treasury Secretary Steven Mnuchin said the administration still wants a deal with Canada, but he would still expect Congress to approve a deal that is only between the U.S. and Mexico.

“If for whatever reason we don’t reach an agreement with Canada, we’ll have an agreement with Mexico, a great agreement,” Mnuchin said during a Thursday event sponsored by The Hill.

“I’m confident that Congress will pass that.”

U.S. negotiations with its northern neighbor have grown increasingly tense in recent months.

Over the summer, the U.S. halted trilateral negotiations and moved to pursue a deal with Mexico alone, in hopes that Canada would sign on under pressure.

Since then, progress has been slow.

Tensions were evident during a Trump press conference on Wednesday when he said he had turned down a meeting with Canadian Prime Minister Justin Trudeau — a meeting Canadian officials said was never sought — at the United Nations.

"His tariffs are too high, and he doesn’t seem to want to move, and I’ve told him ‘forget about it,’" Trump told reporters during a press conference at the United Nations in New York.

"We're very unhappy with the negotiations and the negotiation style of Canada. We don't like their representative very much," he added in an apparent reference to Freeland.

Lighthizer said earlier in the week that there was "still a fair amount of distance" over "very large issues" on NAFTA, including U.S. access to Canada's dairy market.

Yet both Trump and Lighthizer left open the chance that Canada will eventually come into the agreement.

Some Democrats have expressed frustration over Trump's acerbic approach toward Canada in the negotiations.

Rep. Brian Higgins (D-N.Y.) told BBC Business earlier in the week that the Trump administration has failed in its obligations to rework NAFTA and that a trade deal without Canada "is an abject failure."

The Canadians have been relatively cool to Trump's criticisms, and defended their stance to pursue a good deal for their country.

Trudeau told reporters in Ottawa on Thursday that "the Americans are finding that the negotiations are tough because Canadians are tough negotiators, as we should be," according to news reports.

"But a good, fair deal is still very possible. We won't sign a bad deal for Canadians," he said.

Even with all the tension there is still optimism around the ability for the U.S. and Canada to finally reach a deal.

The two nations signed a 12-nation Trans-Pacific Partnership agreement in early 2016 after years of talks.

"My sense is that there is still time for Canada and the U.S. to reach agreement on this," said Simon Lester, a trade expert at the Cato Institute.

"It's not clear what the actual deadline is for working things out, but I would think anything done in the next couple weeks would still be acceptable," he said.

"The question is, are either Canada or the U.S. willing to give ground on the key issues?" he said. "Is there a compromise to be struck? We shall see."