



Despite Liberal push, the fate of new NAFTA is still in the hands of U.S. Democrats

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The motion introduced by the Trudeau Liberals on Monday was a big push toward ratification of a new North American free trade agreement — but Democrats in the U.S. House of Representatives still hold the key to whether the tentative pact ever becomes law.

“If the Democrats win some tweaks that will satisfy their majority, then something could get done in the next couple of weeks,” said Simon Lester, associate director of the Cato Institute’s Herbert A. Stiefel Center for Trade Policy Studies in Washington, D.C.

Should Democrats achieve provisions and approve the deal, Trump would have the required votes in both chambers of the U.S. Congress and could introduce legislation that might be passed by late summer or early fall, Lester said.

The announcement last week of the full removal of U.S. tariffs on Canadian steel and aluminum clears a hurdle to ratification of the new Canada-United States-Mexico Agreement (USMCA), added Lester, since many Democrat and Republican representatives had opposed their imposition.

But even with the tariffs removed, the deal faces a steep climb to ratification in the U.S. as Congressional Democrats demand changes on a range of environmental, labour and pharmaceutical provisions, he said.

“If it doesn’t get done by the end of this year, it’s done,” he added, suggesting legislation must be put before lawmakers this summer or risk being pushed onto the backburner by the U.S. presidential elections.

In Canada, Foreign Affairs Minister Chrystia Freeland introduced a ways and means motion in the House of Commons Monday that addresses tax and financial measures in the revised trade deal, setting the stage for Parliamentary ratification. Still, politicians have only a short time window to pass the bill into law before Parliament rises for the summer and before Canada’s federal election in the fall.

Freeland said that despite the short time frame she is confident all MPs in the House understand the importance of working to ratify the deal. But she acknowledged the timetable for ratification remained outside her hands.

“The entry into force of this agreement does not depend solely on Canada. The new agreement can only enter into force upon ratification in each of the three NAFTA countries,” she said.

On Thursday, U.S. Vice-President Mike Pence will be in Ottawa, where he is expected to exchange views with Trudeau and Freeland on the legislative way forward in their two countries.

Freeland, meanwhile, is expected to update her cabinet colleagues on plans to table the necessary legislation to ratify the deal that was signed on the sidelines of the G20 summit in Buenos Aires last November.

BMO chief economist Doug Porter, who said failure to ratify the deal would hit the Loonie and subtract from GDP growth, said he believes Congressional Democrats will ultimately win enough concessions from Trump to support the pact.

He also said trade disagreements between the U.S. and China could up the ante on Trump to produce a trade agreement win before the 2020 elections.