



Trump Claims Victory For Essentially A Rebranded NAFTA

S.V. Date

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WASHINGTON — President Donald Trump took another victory lap Wednesday on what he calls a “tremendous” trade deal but that is mainly, according to economists and trade experts, a rebranded NAFTA, the 26-year-old agreement that Trump has called a “disaster” and a “catastrophe.”

“Today, we’re finally ending the NAFTA nightmare and signing into law the brand-new U.S.-Mexico-Canada Agreement,” Trump said on the White House South Lawn to a cheering crowd of invited guests and Republican lawmakers. “This is a colossal victory for our farmers, ranchers, energy workers, factory workers and American workers in all 50 states.”

Experts on trade from both liberal and conservative perspectives disagreed.

“It’s an improvement at the margins but far from perfect and not nearly as different as Trump claims,” said Jared Bernstein, who served as then-Vice President Joe Biden’s chief economic adviser. “In fact, there will almost surely be no notable differences in trade flows or balances.”

While many business and farm groups, as well as the governments of Canada and Mexico, strongly backed adoption of the USMCA, much of that was out of fear that Trump would try to withdraw from the North American Free Trade Agreement if the update were not approved. Trade experts in all three countries doubted he had the legal ability to do that unilaterally, but said the chaos even an attempt would create would be damaging to the economies of all three countries.

The new agreement is largely built on the original deal, work on which began under President George H.W. Bush and was completed under President Bill Clinton. The USMCA maintains the free trade zone among North America’s three most populous countries, with some changes.

NAFTA, for example, exempted cars from import tariffs if at least 62.5% of their content was made in North America. The USMCA increases that to 75% and requires an average minimum wage of \$16 an hour for the workers on about half of that content.

Trump claimed on Wednesday that the USMCA would bring automotive jobs back to the United States from Mexico, but it's unclear why that would happen, given that the average automotive pay in the United States is still substantially higher than \$16 an hour.

Other substantive changes — such as better protections for intellectual property — were taken directly from the Trans-Pacific Partnership agreement, which was negotiated under President Barack Obama. That deal included the three NAFTA countries as well as nine others in South America and the western Pacific. Trump abandoned it days after taking office, calling it “a rape of our country.”

As for the changes to protect labor and increase environmental standards, for which Trump took credit on Wednesday, they were actually written by House Democrats in the form of amendments added just prior to the House passing the deal in December.

“We don't know the impact of those yet,” Cato Institute trade economist Scott Lincicome said. “But, A, it wasn't Trump's doing and, B, probably won't affect the overall NAFTA framework.”

Neither House Speaker Nancy Pelosi (D-Calif.) nor any of the Democrats who worked on those changes was invited to Trump's signing ceremony, but Pelosi spoke about the USMCA to her caucus on Wednesday morning.

“What the president will be signing is quite different from what the president sent us,” Pelosi said, according to a Democratic source. “Because of the work of the House Democrats ... they made tremendous differences in what was proposed originally and what the president will be signing today. I hope he understands what he is signing today.”

At his White House celebration, Trump repeated other false and misleading claims about the USMCA that he has used in official speeches, campaign rallies, offhand remarks and Twitter posts ever since an agreement was reached with Canada and Mexico 14 months ago. He asserted, for instance, that the USMCA would boost the U.S. gross domestic product by 1.2%.

That figure is nearly four times higher than the 0.35% GDP increase forecast cited by the Republican National Committee just minutes earlier in a press release.