

Trump's NAFTA threat leaves Trudeau locked in high-stakes game of poker

Daniel Dale

September 3, 2018

WASHINGTON—The Trump administration said the deadline for a NAFTA deal was the end of 2017.

It wasn't. Negotiations continued into 2018, as if there had never been a deadline at all.

Then the negotiators blew past a loose early-2018 deadline floated by the administration, then a supposed mid-May deadline declared by House Speaker Paul Ryan, then a supposed Friday deadline sternly announced last Monday by President Donald Trump himself.

Now, for the first time, Trump has set a ticking clock.

With his Friday decision to officially notify Congress of a U.S. trade deal with Mexico alone, the president laid the groundwork to go forward, within a month, with a U.S. free trade agreement that does not include Canada.

Trump's move appeared to be intended to pressure Prime Minister Justin Trudeau into making concessions for fear of Canada getting left out of the deal.

But the end of September is not actually a drop-dead date either, and the Canadian side views it as yet another faux deadline "ginned up" to attempt to get Canada to give in, a government official who spoke on condition of anonymity said on Monday.

Trump would like Trudeau to see the U.S.-Mexico deal as a train that is going to leave town without Canada if the prime minister does not hop on board before October. Instead, Trudeau could decide it is a train that Trump would not dare start — or a train that would quickly careen into a ditch if he did.

That's because Trudeau has leverage, too. It comes, in part, from members of Congress who want Canada in the deal.

Trudeau could stand firm if he were willing to bet either that Trump would not submit a Mexico-only agreement to Congress or that Congress would not be willing to approve such an agreement.

"I think it's a dicey congressional atmosphere (Trump) has thrown this grenade into," the Canadian official said.

The negotiations resume on Wednesday. There is nothing in the notification Trump sent to Congress that would prevent talks with Canada from continuing indefinitely.

Trump's thinking appears to be this: Trudeau will make concessions before the end of September because Congress, which is currently controlled by Republicans, would give Trump legal permission to proceed with a Mexico-only deal — and then would eventually vote to grant a Mexico-only deal final approval.

But neither of those two things is even close to certain. Some trade experts say they are unlikely.

Members of Congress from both parties, including senior Republicans, have come out strongly in favour of Canada's inclusion in any deal. So has the U.S. business lobby, which is an important source of Republican campaign donations, and the AFL-CIO labour coalition, an important source of Democratic donations.

And several members of Congress, including second-ranking Senate Republican John Cornyn, have suggested that Congress would find that Trump was violating "trade promotion authority" (TPA) law if he tried to submit a Mexico-only deal after he officially told Congress he was negotiating with Canada as well.

"Given the united opposition of Congress, labour and business, as well as the procedural questions regarding the legitimacy of a Mexico-only agreement under TPA, congressional passage of such a deal seems like a long shot," said Scott Lincicome, an adjunct scholar at the libertarian Cato Institute in Washington.

There is risk for Trudeau in counting on a Republican-controlled Congress. Despite their early words on the U.S.-Mexico deal, congressional Republicans do not have a long history of standing up to a president who is overwhelmingly popular with party voters.

"Should we be counting on Congress? To a certain extent, but I don't think that should be our only card," said Peter Clark, a veteran Canadian trade strategist who said Trudeau's negotiators should not be in "any rush."

The Canadian government official declined to venture a guess on which way Congress would go. The official said, though, that the congressional picture will improve further for Canada after members see the precise text of the U.S. deal with Mexico, which the official said includes provisions that will harm members' communities and donors.

The congressional situation could get worse for Trump and better for Canada if Democrats win back control of the House of Representatives in November's midterm elections. Though some Democrats are more aligned with Trump on trade than many Republicans, party members may not be inclined to approve anything that Trump could describe as a victory for himself.

But Trump is Trump, proud of his unpredictability and prone to vindictiveness. In addition to abandoning talks with Canada, as he threatened again on Saturday, he could decide to follow through on a repeated threat that does not, in his view, require congressional approval: imposing "national security" tariffs on Canadian-made cars.

There is possible downside for Trump there, too. Such a move could cause turmoil in stock markets and in Congress at a particularly inopportune time, just over a month before the midterms.

Clark cautioned that there is a chance Trump will act on impulse and grievance even if that is clearly unwise for him.

“He’s trying to get even with the prime minister, saying, ‘You’re not going to be pushed around? Well, just watch me,’” Clark said. “There’s no limits on his pettiness. The danger is very little of the stuff he does is logical.”