

A Bogus Deal on Nafta

By [The Editorial Board](#)

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President Trump's agreement with Mexico will hurt American workers, not help them.

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Cars being transported at the Port of Veracruz, Mexico. Under the revised bilateral deal with Mexico, 75 percent of the value of vehicles exported to the United States would have to come from North American-made parts. Victoria Razo/Agence France-Presse — Getty Images

The North American Free Trade Agreement is a nearly 25-year-old agreement that needs to be modernized to address new technologies, update intellectual property rights and protect American industry and workers from unfair competition. Instead, President Trump [has proposed replacing Nafta](#) with something worse, a vague agreement that could hurt American workers and raise prices for American consumers while antagonizing America's neighbors.

In the Trumpian worldview, Canada isn't a friendly neighbor but a frosty enemy bent on ruining our steel, auto and dairy industries while cutting down forests in British Columbia and trucking the lumber across the border. Fiends! Likewise, as he sees

it, Mexico ships tequila, produce and people north, and imports our higher-paying manufacturing jobs. Desperados! Yet his solutions would simply add complications with few benefits.

Under the revised, don't-call-it-Nafta bilateral deal with Mexico that he awkwardly announced last week, 75 percent of the value of vehicles exported to the United States would have to come from North American-made parts, up from the current 62.5 percent. And 40-to-45 percent of the value would have to be made by workers who earn at least \$16 an hour, even though no Mexican autoworkers earn \$16 an hour, and none will. Otherwise, Mexican-assembled vehicles would be subject to a 2.5 percent tariff.

The logic here is that auto-related jobs would supposedly flood back to the United States as labor costs rise in Mexico. [That logic is dubious](#). Automakers in Mexico would rather pay the 2.5 percent tariff, figuring it would not raise prices enough to hurt sales seriously. If it did, they could stop making those cars for the American market.

Mr. Trump has particular animus for the dairy industry in Canada. There's no question that protectionist constraints keep milk prices there high and farmers profitable. The Canadians have pointed to subsidies that American farmers get and are resisting Mr. Trump's no-compromise demand to throw their cows under the bus. Mr. Trump also wants Canada to join Mexico in agreeing to drop Chapter 19 of Nafta, a dispute resolution protocol. Canada has used it to fight off tariffs on its softwood and paper products. Mr. Trump's softwood and paper tariffs are hurting Canadian industry, but also are raising lumber prices in the United States so much that the housing market has slowed. Isn't that a great deal?

American farmers have been big losers [in this trade war](#) and would remain so under this trade deal. After Mr. Trump assessed tariffs on Mexican metals, Mexico imposed tariffs on corn and pork. The bilateral agreement restores the status quo on agriculture, but Mexico has, in the meantime, cultivated other sources of supply.

Auto companies have developed global supply chains since [Nafta began in 1994](#), costing thousands of manufacturing jobs in the United States, as low-value work shifted to Mexico and other lower-cost countries. Auto companies have also built plants here using the same supply chain rationale, though, partly because labor costs in those American plants have decreased in the aftermath of the Great Recession. Mexico, in turn, is becoming less dependent on the American market every year — meaning the deal is covering fewer and fewer jobs. So Mr. Trump's deal isn't going to be getting jobs back from Mexico.

Mr. Trump's threat to impose 25 percent tariffs on cars if Canada doesn't submit to his demands will be painful — to Canada, and to General Motors, which produces the Chevrolet Impala and other models there. He's also threatened the European Union, which has offered to remove tariffs on autos if the United States does the same. That's not good enough for Mr. Trump, who thinks Europeans should be

forced to buy American-made cars. Should the president carry out threats to hit imports, the United States stands to lose 200,000 jobs, according to Kristin Dziczek of the Center for Automotive Research, because cars assembled in the United States contain imported parts, including engines. Prices would rise; sales would fall. Auto sales are cooling globally, so creating obstacles for the industry is foolish policy.

Having failed to browbeat Canada into submission by the American-imposed Aug. 31 deadline, the administration told Congress it will go ahead with the Mexico deal. Canada is free to join under those terms, within 30 days. No thank you, said the ever-diplomatic Canadian minister of foreign affairs, Chrystia Freeland. "Once we have a good deal for Canada," Ms. Freeland said, "we have a deal." The ever-petulant Mr. Trump then tweet-threatened not only Canada but his own Congress: "If we don't make a fair deal for the U.S. after decades of abuse, Canada will be out. Congress should not interfere w/ these negotiations or I will simply terminate NAFTA entirely & we will be far better off..."

We will certainly not be better off. Nor is Congress planning to cede its authority in treaty making. The president can and should expect a bipartisan pushback against an unnecessary and abusive bad "deal."

"Canada has oil, electricity, water, all the things that the United States desperately needs," [notes Jerry Dias](#), national president of Unifor Canada, a leading trade union. "So for him to pick a fight with us makes no sense, either philosophically or economically."

Correct, Mr. Dias. Welcome to our world.

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