

The Bizarre Confluence Of NAFTA Optimism

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Canadian Minister of Foreign Affairs, Chrystia Freeland (L), Mexican Economy Minister Idelfonso Guajardo (C) and US Trade Representative Robert Lighthizer put on their happy faces back in March. RONALDO SCHEMIDT/AFP/Getty Images

To hear leaders of Canada, Mexico, and the United States speak, one might think the talks to renegotiate the North American Free Trade Agreement (NAFTA) are going swimmingly. Yet all the evidence seems to point in the opposite direction. So why the disconnect?

First the facts, then the spin. The NAFTA renegotiation talks have missed deadline after deadline. When they got underway in August, 2017, leaders said they had to conclude by the end of the calendar year to avoid the upcoming Mexican election. That endpoint, once it was missed, was then pushed back to the end of the first quarter of 2018 with the same rationale. Then, U.S. House Speaker Paul Ryan (R-WI) [set](#) a May 17 deadline for conclusion if the result were to be voted on by the current Congress. He later said there might be a couple additional weeks if key U.S. agencies worked unusually quickly.

All these deadlines have come and gone. The [Mexican election](#) is upon us (July 1). The requirements of U.S. trade negotiating authority mean that any agreement that

needs congressional approval would have to await the new Congress elected this coming November. The timeline now looks horrible.

If anything, the substance of negotiations looks worse than the timeline. Canadian Prime Minister Justin Trudeau [reported](#) a month ago that the United States had set a “sunset clause” as a precondition for further talks. This provision, which would set NAFTA on a path to self-destruct barring new action from the three governments, is anathema to Canada, Mexico, [many](#) in the U.S. Congress, the [U.S. Chamber of Commerce](#), and others. And the United States Trade Representative, Robert Lighthizer, [reiterated](#) his commitment to this approach this past week. Beyond the sunset provisions, there are very difficult questions about [Canadian dairy](#) policy, [Mexican auto wages](#), and even whether NAFTA should be a single agreement or [broken up](#) into pairwise agreements. On the substance, the negotiators do not appear to be close.

And, of course, there is the deterioration of trade relations in the background. In the beginning of June, President Trump extended the Section 232 tariffs on steel and aluminum to Canada and Mexico and he has announced plans to consider auto tariffs with the same national security rationale. In response to the steel and aluminum move, Mexico [struck back](#) with tariffs on \$3bn of U.S. trade early in the month. This past week, Canada [announced](#) tariffs on \$12.6 billion of U.S. trade.

Who could possibly put a positive spin on this sort of track record? Actually, almost everyone seems to be trying. U.S. Secretary of State Mike Pompeo [said](#) (a couple weeks ago) that he hoped NAFTA agreements would be ready to announce in the coming weeks. USTR Lighthizer told congressmen he was [confident](#) a deal could be struck. Mexico’s likely incoming NAFTA negotiator [publicly hoped](#) for a NAFTA deal in the next “couple of months.” Even Canada had [extolled](#) positive and productive talks, though Canadians seems to have sobered in the wake of the [G7 fiasco](#).

This spin has not been entirely uniform. Canada’s chief NAFTA negotiator [awkwardly let out](#) that there were no actual negotiations taking place. After discussions with USTR, Rep. Sander Levin (D-MI) [said](#) he was not confident a deal would be reached, adding “There’s a number of major hang-ups – there’s no single one...If they don’t get it right and rush to finish it, it will collapse.”

Yet it is the leaders who hold the megaphone and they are publicly positive. So why are they spinning?

For Mexico and Canada, they have had to maintain a positive attitude all along. Any expression of serious doubt in the talks risked providing President Trump with a pretext for killing NAFTA, something he has repeatedly said he would like to do.

The Trump administration, meanwhile, has justified aggressive and destructive trade policies by claiming the need for negotiating leverage. They have used this claim to fight off the [push](#) from some members of Congress to reassert legislative branch authority over trade policy. The claim only works if there are promising negotiations

for which they might need leverage. Further, the NAFTA negotiations are the linchpin for any sort of positive trade agenda the Trump administration might pursue. As USDA Under Secretary [Ted McKinney](#) put it this past week, “by necessity I think we have to land NAFTA first...most other countries are looking to see how NAFTA settles before they’re going to be willing to negotiate.”

For anyone trying to ascertain where NAFTA negotiations are going, however, the [Marxian](#) question becomes: who are you going to believe – the Trump administration or your lying eyes?