

Trump's 'New' Canada-Mexico Trade Deal Has All Kinds Of Improvements? Thanks, Obama.

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Huffpost, 10/01/2018

The so-called "new NAFTA" is mainly what Canada and Mexico agreed to in the Trans-Pacific Partnership agreement -- which Trump threw out after taking office.



Chip Somodevilla via Getty Images

WASHINGTON — With critical elections approaching, President Donald Trump on Monday declared a rebranded trade deal with Mexico and Canada a major victory for himself — even though it relies on key elements negotiated by his predecessor, President Barack Obama, for an agreement Trump had called a disaster.

“Throughout the campaign I promised to renegotiate NAFTA, and today we have kept that promise,” Trump said of his update to the North American Free Trade Agreement, which he described as the “incredible new U.S.-Mexico-Canada agreement called USMCA.”

But the majority of the “new” items in the deal announced late Sunday were negotiated over a period of years by the Obama administration as part of the Trans-

Pacific Partnership. That agreement included a dozen nations in the Americas, Southeast Asia, Japan and Australia, reducing trade barriers and increasing environmental and labor standards.

In fact, at least half of the men and women standing behind Trump during his Rose Garden ceremony praising the new deal were the same career service staff who negotiated nearly identical provisions in TPP, which Trump had railed against.

“Ironically, he called them horrible negotiators when running for office,” said Trevor Kincaid, the spokesman for the United States Trade Representative’s office under Obama, adding that the USTR team was first-rate then and remains first-rate today. “It’s really the same with a new name. It’s basically the ‘22 Jump Street’ of trade deals.”

Jared Bernstein, formerly Vice President Joe Biden’s top economic adviser, said he likes some of the pro-labor changes in the new deal, but added that Trump’s characterization of the agreement as a dramatic change from NAFTA is absurd.

“It’s not the slightest bit credible to argue that NAFTA or TPP were massive disasters but that USMCA is perfection,” Bernstein said, adding that the claim fits into Trump’s playbook. “You create a period of disruption and chaos. You bring it to a close. And you declare victory regardless of the outcome.”

During his presidential campaign, Trump criticized TPP as the worst deal ever negotiated (a description that he also applied to NAFTA and the Iran nuclear deal), and withdrew from it promptly after taking office.

Because both Canada and Mexico were also covered by TPP, it effectively would have replaced NAFTA had Trump and Congress approved it. It also would have included Japan — with which Trump has unsuccessfully sought an agreement — and, many trade experts said at the time, would have served as a check on China’s growing dominance in the western Pacific.

It is unclear whether Trump understands or cares that many of the elements in his new “USMCA” were present earlier in TPP. On Monday, Trump said: “This one is a brand-new deal.”

Nevertheless, the provisions of the agreement dealing with online commerce and intellectual property protections, for example, were included in TPP and are now in Trump's USMCA, largely unchanged.

"To some degree, we have wasted our time by redoing what was in the Pacific trade deal," said James Pethokoukis, a trade expert at the American Enterprise Institute. "There's a lot of overlap."

Even the issue that Trump called a "deal breaker" — Canada's protectionist policies for its dairy farmers — was resolved in the new deal in the same manner it was resolved in TPP. Canada agreed to open a small percentage of its market to U.S. dairy farmers for certain products. But because that small percentage will be almost entirely for American dairy operators, not split among 11 countries, the new deal will likely be a modest improvement for U.S. dairy farmers compared to TPP.

One significant change to both NAFTA and TPP involves the rules regarding automobile manufacture. NAFTA currently requires 62.5 percent of a car's value to be made in North America to move across borders tariff-free. The revised deal would increase that to 75 percent, and would require that at least 40 percent of the labor for the car be paid no less than \$16 an hour.

Bernstein, who is now a senior fellow at the liberal Center on Budget and Policy Priorities, said those new rules could help American workers by reducing the incentives for U.S. automakers to build new plants outside North America, and by reducing the wage differential between the United States and Mexico.

"That's potentially a beneficial change," he said, adding that it would depend on how it was implemented and enforced.

For any of that to happen, however, Congress will have to approve the agreement. Trump said Monday he would sign the deal by the end of November. It would then go to Capitol Hill, which at that point could be in the throes of switching from Republican control, at least in the House, to Democratic.

If Congress does not approve the new trade pact, the existing NAFTA would remain in place — at least until Trump carried out the formal process of withdrawing from it, which might also require congressional approval.

This article has been updated to clarify Kincaid's quotation.