

US and Mexico reach a trade deal, paving the way to replace NAFTA

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The U.S. and Mexico struck a trade deal on Monday that paved the way to replace NAFTA, the current agreement between the two nations and Canada.

President [Donald Trump](#) said the deal would be called The United States-Mexico Trade Agreement, getting rid of the NAFTA name. "The name NAFTA has a bad connotation because the United States was hurt very badly by NAFTA," he said. Trump added that the deal will help farmers and manufacturers. "We've made it better" for both countries.

The new deal will last 16 years and will be reviewed every six years, according to U.S. Trade Representative Robert Lighthizer. Lighthizer also said the plan will not cap imports of light vehicles from Mexico, but keeps the steel and aluminum tariffs that are already in place. The deal must also be approved by Congress.

"We're very excited about this agreement. We think it is going to lead to more trade, not less trade," Lighthizer said.

Officials have been in Washington trying to work out the issues as the Trump administration pushes to remake the 1994 agreement. There was hope that a new NAFTA could be solidified before Mexico's government turnover on Dec. 1, when leftist Andres Manuel Lopez Obrador replaces moderate President Enrique Pena Nieto.

"I'm certainly hopeful that we get a good agreement," Carla Hills, a former U.S. trade representative and chief NAFTA negotiator, said earlier Monday on CNBC's "[Squawk Alley](#)." NAFTA is "25 years old and it needs to be upgraded. I have my fingers crossed that we've done a good job and we get to NAFTA 2.0."

Trump said Mexican officials promised the country would start buying as much U.S. farm product as possible.

The negotiations have dragged on for months. Officials had hoped to wrap up last week but that was before the distraction caused by the guilty plea entered Tuesday by Trump's former lawyer, Michael Cohen, and the guilty verdict handed down against Trump's former campaign manager, Paul Manafort.

Trump called Pena Nieto to congratulate him on the negotiations and their outcome, noting Canada would be able to reincorporate itself to the talks. Canada has remained on the sidelines of trade talks recently while the U.S. aimed at first striking a deal with Mexico.

"Once the bilateral issues get resolved, Canada will be joining the talks to work on both bilateral issues and our trilateral issues," Chrystia Freeland, Canada's foreign minister, said Friday. "And will be happy to do that, once the bilateral US-Mexico issues have been resolved."

Trump said negotiations with Canada had not started, adding that if Canada wanted to negotiate fairly, the U.S. would do that.

The Mexican peso jumped 0.7 percent against the dollar at 18.78. Shares of trade bellwethers [Caterpillar](#) and [Boeing](#) rose 2.8 percent and 1.3 percent, respectively.

WATCH: Trump announces new US-Mexico trade deal