

U.S. reaches trade deal with Canada and Mexico, providing Trump a crucial win

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The new pact is a major step toward completing one of the president's signature campaign promises.



President Donald Trump and Prime Minister Justin Trudeau of Canada had been at odds over trade. | Leon Neal/Getty Images

Trade ministers from the U.S., Mexico and Canada have reached a deal to revamp the North American Free Trade Agreement, the Trump administration announced late Sunday night.

The new [pact](#), which is being called the U.S.-Mexico-Canada Agreement, is a major step toward completing one of Trump's signature campaign promises and gives the president a concrete policy win to tout on the campaign trail this fall. It also sets the stage for what is sure to be a high-stakes fight to get the agreement passed by Congress before it can become law.

The Trump administration already formally notified Congress at the end of August of its plans to sign a new pact and faced a deadline of the end of September to provide a draft of the agreement.

U.S. Trade Representative Robert Lighthizer said in late August that officials are planning to sign with their Canadian and Mexican counterparts by the end of November — a date that would also satisfy Mexico, which is eager to have current President Enrique Peña Nieto sign the deal before his successor takes over Dec. 1.

“It’s a great win for the president and a validation for his strategy in the area of international trade,” a senior administration official said on a call with reporters late Sunday.

People briefed on the outlines of a revamped deal described changes in language governing dairy imports, dispute resolution between countries, limits on online shopping that can be done tax free, and limits on the U.S. threat of auto tariffs.

“It’s a good day for Canada,” Prime Minister Justin Trudeau said as he left the office late Sunday night. He said he would save other comments for an official announcement on Monday.

A formal vote in Congress won’t be held until 2019, and it is still an open question whether lawmakers — including members of the president’s own party who have often clashed with him on trade — will fall in line to support the deal.

Republicans are expected to pay close attention to the final details regarding dispute settlement and intellectual property issues, while Democrats will likely be looking for stricter labor and environmental standards.

Lawmakers from both parties, along with powerful business and industry groups, are also examining whether new provisions, such as stricter automotive rules, may end up making life more difficult for domestic companies rather than easier.

A senior administration official highlighted the “great result” on dairy issues that was achieved. The pact opens up the Canadian dairy market to U.S. exports at a level higher than the 3.25 percent market share the Obama administration negotiated under the Trans-Pacific Partnership.

The official also said that Canada agreed to eliminate a recent milk-ingredient pricing program that U.S. farmers complained [had dried up](#) demand for their exports of the product.

In exchange, Canada was able to preserve dispute settlement language. Canada has historically insisted on an international panel to judge whether the U.S. improperly uses duties as a commercial weapon.

Canada also agreed to an “accommodation” to its auto exports in response to tariffs Trump is expected to impose on vehicle imports for national security reasons, the senior administration official said. That arrangement will likely involve Canada agreeing to a side deal that would restrict its auto exports to a level well above the

current volume of trade that flows south of the border, sources close to the talks said.

Lighthizer had hoped to reach an agreement by the end of 2017, a timeline that was extended until the end of March. The three nations failed to make that deadline but have been meeting almost continuously in Washington since as they sought to reach compromises on issues that have been both technically and politically challenging for all three countries.

Now, depending on the outcome of November's midterm elections, control of the House of Representatives may well turn over to Democrats, who may have little incentive to work with a president from the opposite party to ratify a deal that they may not like.

One strategy that circulated earlier this year was a [plan](#) to force a vote by withdrawing from the existing NAFTA agreement before the new one takes effect — thus forcing members of Congress to choose between the renegotiated deal or no deal at all.

Trump indicated last month that he would pursue such tactics, telling reporters in the Oval Office that he would "be terminating the existing deal and going into this deal."

Several prominent lawmakers, however, expressed cautious optimism with the new pact.

"Maintaining a trilateral North American deal is an important prerequisite to preserving and extending those gains and the Trump administration has achieved that goal," said Sen. Orrin Hatch (R-Utah), chairman of the Senate Finance Committee. "I look forward to reviewing this deal to confirm it meets the high standards of Trade Promotion Authority."

Under the TPA, Congress will take a straight up-or-down vote without amendments. Those rules also have a [series of other steps](#) that also must be followed before the deal can be passed.

Even without congressional approval, having the preliminary deal in hand will give the administration and vulnerable Republicans up for reelection at least the skeleton of a policy achievement to use on the trail.

Officials have said that changes made to automotive rules to increase the amount of content that must be sourced from within NAFTA countries should play well in manufacturing states concerned about the offshoring of jobs.

Meanwhile, leading congressional Democrats say they're not yet convinced that the new deal represents a significant shift from past trade policies that have rarely earned their support.

“The bar for supporting a new NAFTA will be high,” said Rep. Richard Neal (D-Mass.), the ranking member on the House Ways and Means Committee.

Democrats and their backers in labor unions and environment groups will be looking for a deal they feel can be adequately enforced in terms of upholding worker rights and environmental protections.

Sen. Ron Wyden (D-Ore.) said the ability of the deal to enforce those provisions will be a “crucial test” for a new agreement.

The country’s largest organized labor group also stressed that it will be studying the labor language closely.

“The text we have reviewed, even before the confirmation that Canada will remain part of NAFTA, affirms that too many details still need to be worked out before working people make a final judgment on a deal,” AFL-CIO President Richard Trumka said in a statement.

It remains unclear at this point what the preliminary deal means for the steel and aluminum tariffs the Trump administration has put in place as well as the retaliatory duties Canada and Mexico imposed. Many industry sources and others close to the talks have long expected that reaching a deal would lead the U.S. to lift the tariffs, a move that would lead Canada and Mexico to follow suit.

A senior U.S. administration official said a possible exemption for Canada remains on a separate track from the broader trade negotiations and there was no agreement yet on that issue.

Mexican Economy Secretary Ildefonso Guajardo said in late August that those tariffs — as well as Mexico's retaliatory duties on \$3 billion in U.S. products like agricultural goods — would be enforced until the countries are closer to signing an agreement later this year.

Sabrina Rodriguez and Megan Cassella contributed to this report.

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