

## US softens its demand for NAFTA 'sunset clause': Mexican official

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The United States has softened its contentious demand for a NAFTA "sunset clause," Mexico's incoming trade negotiator said on Saturday, potentially eliminating a key obstacle to reaching a deal next week to revamp the trade pact.

A few hours earlier, President Donald Trump tweeted that the United States could reach a "big Trade Agreement" with Mexico imminently.

Jesus Seade, designated chief negotiator of Mexico's next government, told reporters the new U.S. position would allow a periodic review of the North American Free Trade Agreement, but without an automatic expiration unless renegotiated every five years.

"It's going to come out. It's no longer what the United States was putting first in any way," Seade said of the sunset clause outside the U.S. Trade Representative's office.

The United States and Mexico have been holding bilateral talks aimed at resolving differences in the NAFTA renegotiation before bringing Canada back to the talks as they push for an agreement-in-principle by the end of August.

Trump tweeted on Saturday morning that the United States' "relationship with Mexico is getting closer by the hour. Some really good people within both the new and old government, and all working closely together....A big Trade Agreement with Mexico could be happening soon!"

The U.S. sunset clause demand has been one of the biggest roadblocks to NAFTA deal since it was first proposed in October 2017. It was meant by the Trump administration as a mechanism to force a renegotiation of NAFTA every five years if the new terms failed to foster more balanced trade between the three countries. If new terms could not be reached, NAFTA would die.

But Mexico, Canada and business interests in all three countries have adamantly opposed the concept, arguing it would create uncertainty over NAFTA's future that would paralyze business investment and job growth.

The structure Seade described is similar to a counter-proposal made by Mexico last November that called for a review of NAFTA's effects every five years without killing the pact.

But U.S. Trade Representative Robert Lighthizer never accepted that plan, insisting on a full sunset provision.

Seade said he and Lighthizer last week began discussing a new review approach, one that would have longer periods between reviews, providing more certainty for business investments. He said negotiations were continuing on this.

### **'Not there yet'**

Asked about Trump's tweet, Mexican Economy Minister Ildefonso Guajardo acknowledged some progress, but told reporters in Washington before beginning another day of talks that the two countries are "not there yet."

"Nothing is done until everything is truly done," he said. "Today will be an important day."

Trump prompted the NAFTA revamp more than a year ago, complaining the pact has benefited Mexico to the detriment of U.S. workers and manufacturing. He made renegotiating NAFTA one of his top campaign pledges.

Trump has threatened to withdraw from the pact if it is not reworked to the advantage of the United States.

The U.S.-Mexico talks for weeks focused on crafting new rules for the automotive industry, which Trump has put at the center of his drive to rework the 24-year-old deal he says has been a "disaster" for American workers.

Seade said the issue of auto sector rules is "basically resolved," although some aspects, including time frames, are still being discussed.

Seade also said on Saturday that a "correct focus" on NAFTA's energy chapter has already been substantially agreed.

Since Mexico's July 1 presidential election, the Mexico-U.S. talks have been complicated by divisions between the incoming and outgoing Mexican administrations over energy policy.

The team of leftist Mexican president-elect Andres Manuel Lopez Obrador has resisted enshrining the 2013-14 opening of the oil and gas sector enacted by outgoing president Enrique Pena Nieto in the new NAFTA, people close to the talks say.

Lopez Obrador opposed Pena Nieto's energy reform, and the issue is divisive within his own camp. Business-friendly aides back greater outside investment in the industry, while his more nationalist allies want the oil to remain in Mexican hands.