



Winners and Losers of a NAFTA Renegotiation

Description

After hearing Trump's disdain for the current NAFTA agreement since the presidential inauguration in January, the U.S., Canada, and Mexico are slated to reopen NAFTA this week with the aim of modernizing the agreement for the 21st century.

The Trump administration has often misstated the agreement, ranging from "It's bad" to it being "the worst trade deal." In truth, NAFTA has been a boon to the economies of all three nations, and the misspoken disdain for the agreement from the U.S. stems from the trade deficits that the agreement keeps in place, particularly with Mexico.

Here are some of the companies that could stand to see changes as part of any renegotiation.

Saputo Inc. ([TSX:SAP](#)) is one of the largest dairy companies in North America. Saputo produces, distributes, and markets a variety of dairy-based items such as cheese, cream, and milk.

So, how does a NAFTA renegotiation help Saputo? Canada's supply-management system has been a major thorn in the side of the U.S. as well as other countries that want Canada to turn to the open market when it comes to dairy and dismantle the protectionist supply-management system that is in place now.

For Saputo, the opportunity for open competition in the dairy market in Canada also means a reciprocal opening of markets in the U.S. and elsewhere. That increased competition could spark the company into growing in other markets.

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)) is one of the largest automotive suppliers in the world with facilities in 29 countries on four continents. Of those, none are as integrated as Canada and the U.S., where it's not uncommon for partially assembled vehicles and parts to cross the border several times, forming a complete assembly process that has proved lucrative to both nations.

One outcome of the NAFTA renegotiation that is often noted is the passing of a border tax on goods manufactured elsewhere that cross the border into the U.S. If this were to come into effect, there would be serious ramifications on the price of the parts and vehicles and could cost thousands of jobs on

either side of the border.

Disrupting a multi-billion-dollar supply-chain model that has increased trade and created jobs in both countries is very unlikely, and if it were to come to pass, Magna's facilities outside the U.S. could ramp up and create a new supply chain model.

When will a new NAFTA come into effect?

Negotiating an agreement like NAFTA can take a long time — so long, in fact, that any agreement is likely to be signed by successors of the member states in several years' time, if at all. Canada's free trade agreement with the U.S., which was the predecessor to NAFTA, went into effect in 1988. NAFTA didn't go into effect until 1994, long after initially first being envisioned.

There's also the political calendars of all three nations that could put a damper on the process.

Mexico is slated to go to the polls to elect a new president for a six-year term next summer, and the U.S. will be heavily invested into mid-term elections at that time. Canadians will also head to the polls in 2019, which could draw out an agreement even further.

In short, while a new NAFTA agreement could significantly alter how we do business with our closest trading partners, don't expect those changes to come soon. For the time being, it will be business as usual, which should be more than enough to ease most investors.

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Date

2025/07/28

Date Created

2017/08/16

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