



It's Crunch Time for NAFTA Negotiations

Description

The window of opportunity on setting up an agreement in principle on a renegotiated NAFTA is beginning to close. Over the next few weeks, the upcoming mid-term elections in the U.S. will begin to take centre stage, as will the election of Mexico's next president.

There are two more rounds of NAFTA talks scheduled between now and April, and pressure is mounting on all sides to see some progress, as talks so far have produced little in the way of changes.

One of the problems with the negotiations so far is that they have competing, if not misguided, goals. While both Canada and Mexico are looking towards modernizing the agreement and encouraging better trade and a more integrated North American economy, the Trump administration is pursuing a protectionist stance towards trade, citing a growing trade deficit as the impetus for a renegotiation, or it may even scrap the agreement altogether.

That protectionist agenda was wildly popular in some states during the election, but Trump's policies have done more harm than good. In addition to threatening to exit NAFTA, Trump has already scrapped membership in the TPP and shuttered discussions for a U.S.-E.U. trade deal.

The administration has been critical of Canadian industry sectors on more than one occasion. The Department of Commerce imposed tariffs on the CSeries from **Bombardier, Inc.** ([TSX:BBD.B](#)), and there's also the ongoing spat over Canada's dairy supply system and softwood lumber.

The absurd levies of nearly 300% on the CSeries imposed by the Department of Commerce were eventually [overturned in a decision](#) by the International Trade Commission earlier this year.

Another sticking point has to do with the automotive sector. The U.S. administration wants to increase the amount locally sourced goods in each vehicle. While this might be well intended, it has the potential to raise vehicle prices and completely disrupt a continental supply chain system. Automotive manufacturers such as **Ford Motor Co.** as well as automotive assembly and parts suppliers such as **Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)) often pass parts and vehicles across the border.

In total, the disruption could affect over one million jobs and the economies of 30 states. Beyond that,

the U.S. administration may not realize the full extent of how much Canadians buy from the U.S.

Foreign affairs minister Chrystia Freeland put that into perspective in a recent interview following the Montreal round of NAFTA talks: “We buy more from the U.S. than America sells to China, Japan, and the U.K. combined.”

Is there an endgame?

Prime Minister Trudeau has noted on more than one occasion that he would rather walk away from NAFTA altogether rather than accept “any old deal.”

There is an established precedent in that regard, too. When CETA was delayed by a single region in Belgium, Canada left the bargaining table until the E.U. got itself ready rather than yielding to unreasonable conditions.

More recently, Canada’s reluctance to sign on to the TPP resulted in several changes to the agreement that matched Canada’s concerns.

A similar stance to NAFTA wouldn’t be a bad thing, and Canada’s warming to other trade blocs, such as the Pacific Alliance, has already [paid dividends to Canadian banks](#) operating in the region.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:BBD.B (Bombardier)
3. TSX:MG (Magna International Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/07/17

Date Created

2018/02/14

Author

dafxentiou

default watermark

default watermark