

No NAFTA deal yet Canada and US to resume talks Wednesday

CME Update from Matthew Poirier

Hear Matthew Poirier speak at our meeting next Thursday Sept 13, 2018

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Dear colleagues,

As many of you have already heard, Canada and the United States failed to reach a NAFTA deal by today's deadline that was imposed by President Trump. The threatened auto tariffs did not occur, and instead Canadian and American negotiators will resume talks on Wednesday, September 5th.

Canadian negotiators seem upbeat and some progress is being made. As reported in the media, and confirmed by Steve Verheul, Canada's chief NAFTA negotiator, in a conference call with CME tonight, certain key elements of the negotiation are holding things up, mainly, supply management and the Chapter 19 dispute resolution mechanism. These remain redlines for Canada.

Here's what else we know:

- Auto Rules of Origin: lots of improvement as Mexico and US positions converged
- Culture exceptions: discussions ongoing
- IP: discussions ongoing
- Sunset clause: Now looking at a 16-year timeframe with a 6 year review.
- Digital Trade: discussions ongoing
- Government procurement: discussions ongoing
- Closed chapters: environment, labour, and textiles [on top of the previously closed 9 chapters (that remain closed)]

In the meantime, President Trump has officially notified the Congress that he intends to table a trade agreement between the US and Mexico and Canada "if they are willing". This was expected as it was a US legislative timing deadline under Trade Promotion Authority (TPA). Now the Administration has 30 days to table the full details of the agreement to Congress at which point the details will also be made public. It is within this 30 days that Canada will hopefully negotiate our entry into the agreement. Over this time, the threat of 232 autos tariffs haunt the proceedings. Tariffs on steel and aluminum are being discussed between the parties.

Other than what's been made public or discussed in the media very few details of the specific elements of the agreement or the bargaining points are available for analysis. This will continue to be the case as the negotiations go through this intense phase and as the parties avoid "negotiating in public". Rest assured, once the facts come out, we will prepare and share a more comprehensive analysis on the implications for manufacturing.

Matthew Poirier

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Canadian Manufacturers & Exporters / Manufacturiers et exportateurs du Canada