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5 Minutes for Business

Fast and Furious—Negotiating NAFTA

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Tick-tock! The U.S. Trade Representative just sent the [official notification](#) to Congress that NAFTA negotiations will begin in 90 days. The Canadian government must now negotiate and resolve all the hot button issues with our American and Mexican friends—in the midst of a highly charged political environment. How will it play out?

For the next 90 days, every special interest and aggrieved Wisconsin dairy producer will have a chance to provide input during the consultation period under Trade Promotion Authority. Then, whatever new agreement is negotiated must pass the House and the Senate. All three governments want NAFTA 2.0 wrapped up ASAP. Canada wants to end the uncertainty that is hurting investment, and for our partners, it is even more urgent.

Mexico's presidential election is set for July 2018 and will be in full election season by the early spring. [Polls show](#) the current leader is Andres Manuel Lopez Obrador, a fiery left-wing nationalist who filed a human rights complaint against Mr. Trump and his plans for the border wall. He calls it embarrassing to see the current Mexican government prostrate before Trump. Mexico's government would dearly love to conclude the NAFTA well before the election.

Similarly, U.S. mid-term elections will be held on November 6, 2018, and Republicans need to show progress on trade. The likelihood of NAFTA passing Congress drops off significantly after the mid-terms.

Gallup points out that when the U.S. President has an approval rating below 50%, his party loses an average of 36 seats during mid-term elections. President Trump's approval rating is well south of 50%, in the high-30s. If the administration remains mired in scandals, special counsels and the Russian Connection, the Republican house is likely to lose its 31-seat

majority. Would a newly-elected Democratic house be eager to pass Mr. Trump's NAFTA? No way.

Is it even possible to renegotiate NAFTA before the deadlines? The original Canada-U.S. FTA took 18 months (May 1986 to Oct 4 1987), and our governments at the time were the closest of friends.

So it's possible but very unlikely because of the politics. We often hear from Americans that Canada is not the main target of U.S. trade ire. Canada just needs to give the Trump administration a PR win, which it defines as a big give on supply management and softwood lumber, then it can have whatever it wants—regulatory cooperation, movement of people, maybe even an exemption from Buy American.

But the politics are awful because [Mr. Trump's bullying, blustering threats](#) have made it impossible for Mr. Trudeau or Mr. Pena Nieto to agree to concessions without appearing weak. Their supporters despise Mr. Trump and would be furious. And even if it wasn't politically poisonous, why should we make concessions for another country's domestic politics?

There may be another way. The USTR referred to NAFTA modernization as opposed to renegotiation. In the past, [NAFTA has been amended extensively](#) without going back to Congress. We could add a chapter on ecommerce, fix the rules of origin and sign a bunch of side letters that could give the Americans the win they need. Let's hope they take what they can get. Otherwise, NAFTA 2.0 is doomed.

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