



5 Minutes for Business

Fighting for NAFTA – Better to Have No Deal than a Bad Deal

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Never in the history of trade negotiations have we seen a country's largest, most important business association openly call its government's trade proposals "dangerous" and say they should be withdrawn. That is exactly what [the U.S. Chamber of Commerce did](#) yesterday.

Canada's negotiators have done their very best in a challenging environment. They have reached out to Canadian people and business, they have extended a warm hand of friendship to their U.S. and Mexican counterparts and they have tabled sensible, generous proposals to improve NAFTA. But, we all have to prepare for the possibility that the U.S. will withdraw from NAFTA, based on the poisonous proposals U.S. negotiators have presented.

The craziest is a sunset clause that would terminate NAFTA after five years unless all three parties agree it should continue. Imagine the uncertainty of having all three countries debate the merits of trade every five years. How could anyone plan to build a factory with a useful life of 30 years? NAFTA would cease to exist for the purposes of long-term business investment.

The second troubling proposal concerns the rules of origin. Currently, 62.5% of a car or a truck must be produced in the U.S., Mexico or Canada for it to qualify for duty-free treatment under NAFTA. The U.S.'s proposal would require that 50% of the vehicle be produced in the U.S. This would be immensely harmful to the North American auto industry. It's impossible to replace long-established multi-billion-dollar supply chains so most companies would simply pay the generally low U.S. tariffs. Manufacturers would then source more inputs from Asia.

The third concern is the administration's proposal to eliminate Chapter 19, the process for dispute settlement for anti-dumping and countervailing duties.

This comes at a time where the U.S. wants to impose a ludicrous 300% tariff on Bombardier jets, which is above even what Boeing had asked for. Chapter 19 is a critical safety net because it enables an independent, binational panel of five arbiters, agreed by both parties, to determine whether or not the duties have merit based on U.S. domestic laws. This is a must-have for Canada.

The final jaw-dropping proposal would drastically reshape NAFTA's procurement rules. U.S. negotiators are proposing a "dollar for dollar" approach to North American procurement markets. That would mean "the total value of contracts the Canadians and Mexicans could access, together, couldn't exceed the total value that U.S. firms could win in those two countries." This is quite simply the worst offer ever featured in a trade agreement and is worse than basic access to government procurement offered under the WTO. Canada would be better off with no agreement at all than signing on to this nutty nonsense.

At the Canadian Chamber of Commerce, we salute the government's efforts on NAFTA. The government has done everything possible: our negotiators have been outstanding, Minister Freeland and the entire Cabinet have invested enormous time in building relationships in the U.S., and the PM has invested his political capital and considerable charm to go to bat for NAFTA.

But, if the U.S. administration is not serious about negotiating a mutually beneficial agreement, then we believe no deal is preferable to a bad deal. This is because a trade agreement will last many years. The Trump administration, we're not so sure...

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