

NAFTA Renegotiations: an overview

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Overview

1. What NAFTA is?

- The Canadian free trade framework

2. NAFTA Renegotiations

- Automotive Rules of Origin
- Dispute Resolution Mechanisms
- NAFTA termination: credible threat?

What is NAFTA?

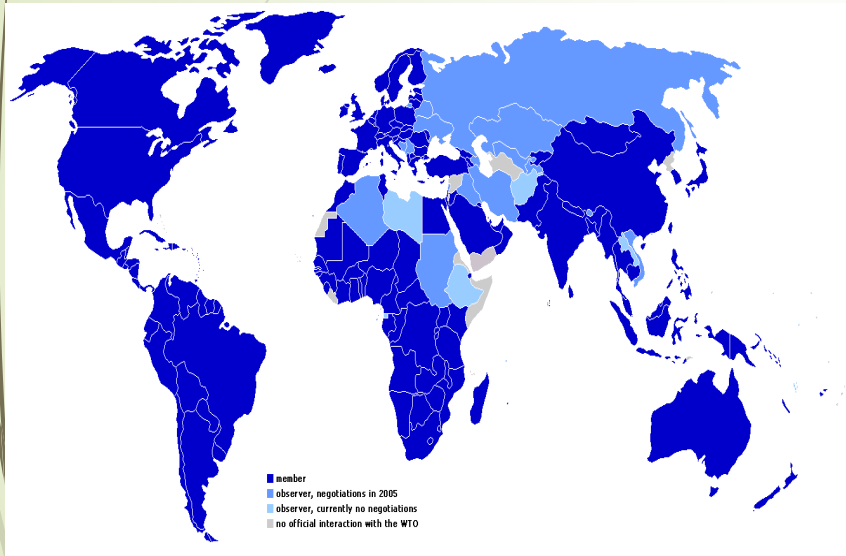


North American Free Trade Agreement

January 1, 1994:

- Reduce Import Duties and other Trade Restrictions
- **Note:** NAFTA creates the world's largest free trade area – 450 million people – \$20 trillion worth of goods and services

NAFTA and Free Trade Framework



- Canada (Mexico and US) are members of GATT/WTO
- Other Canada FTAs:
 - CETA
 - Korea
 - Colombia and Chile
 - Negotiating with India
 - Prospects of China

NAFTA renegotiations



- Started on June 2017
- As of now: 7 rounds of negotiations

Automotive Rules of Origin



- **Current ROG**
 - 62.5% North-American parts
- **Original US Position**
 - 85% North-American parts
 - 50% US specific content
- **Current US Position**
 - 75% North-American parts

Dispute Settlement – Chapter 11



- **Current NAFTA**
 - Investor-State
- **US Position**
 - Eliminate
- **Canada Position**
 - Enlarge: permanent investment court modeled after CETA

Dispute Settlement – Chapter 19



- **Current NAFTA**

- AD and CVD Binational Panels

- **US Position**

- Eliminate: Ch. 19 Panels are more prone to issue remand decisions in US cases than Canadian cases

- **Canada Position**

- Fundamental element of NAFTA structure

NAFTA termination: credible threat?



<http://money.cnn.com/>

- **Can the US President unilaterally withdraw?**
- Congress authority on “commerce”
- “Uninstalling” Legislation

- **Possible scenario post-termination:**
 1. Return to Canada-US FTA
 2. Fall back to GATT rules
 3. Still NAFTA with Mexico and no US



Conclusion

- NAFTA is in many respects a valuable trade agreement
- Renegotiation Process provides the opportunity to modernize NAFTA
- Canadian Free Trade Framework would mitigate a NAFTA demise