

Free Trade **Nafta**

Nafta talks head for a winter chill

Mexico and Canada increasingly emerge as allies against adversarial US



Carlos Salinas at the launch of his book in Mexico City on Thursday © Reuters
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Carlos Salinas, the Mexican president who signed the original North American Free Trade Agreement into existence, was back in the public eye last week promoting his aptly named and aptly timed new book about the 1990s trade treaty, *Allies and Adversaries*.

The book's launch came after the fifth round of negotiations over a [Nafta update](#) sought by US President Donald Trump stumbled along and finished with no real progress beyond an agreement to meet again in Washington in December and Montreal in January. But it followed what is becoming an established pattern. As the talks have started to touch on the tough stuff, Mexico and Canada are increasingly emerging as allies against an adversarial US.

The US insists it is being “very creative and flexible” and blames its partners for refusing to “engage and work with the proposals” it has put on the table on things such as a “sunset clause”. That would cause the [deal to expire](#) every five years without new negotiations, higher regional content rules, a requirement for cars to be 50 per cent US in origin, reciprocal government procurement rules and the scrapping of some dispute resolution mechanisms.

Canada’s foreign minister calls the US proposals “extreme”. One Mexican official calls them “[unworkable](#), and I’m being generous”.

The result has been a gridlock that has affected the negotiations as a whole. Hopes of concluding as many as five chapters during the latest round — only two have been finalised so far — were dashed. The Mexican team adopted a Just Say No strategy on what it considers non-starter proposals, putting the onus on the US to spell out the rationale behind them (or as one Mexican source put it, “either the US withdraws them or makes them workable”).

Washington’s response to such requests for additional analysis from its partners has been to slam them as “a bit of a sideshow”.

No one is remotely surprised by any of this. The US smilingly concedes that it is “perfectly fair” for Mexico and Canada to be critical of their proposals “but where do you go from there?” one senior US official said after the talks concluded. “The President and [US Trade Representative Robert] Lighthizer have been very clear on the centrality of some of these issues . . . you do expect other countries to engage with you on that.”

And that, precisely, is the problem. The trade experts on the negotiating teams know each other well from the lengthy Trans-Pacific Partnership talks. But as another Mexican source put it, “their position contains certain elements that are TPP-Plus and others that are initiatives coming directly from upstairs”. In short, Donald Trump’s insistence that trade deficits are proof that the US is being taken for a ride and it is time for others to play “fair”.

One of former President Salinas’ observations, while presenting his new book, is that the beauty of [Nafta](#) was that it “allowed us no longer to have to depend on the mood of whoever was in government [in the US], but to move to established rules”. No longer, evidently.

There is posturing a-plenty at this stage of the game. Mexico and Canada could now demand progress on the tough stuff before proceeding any further. That would have the benefit of cutting to the chase. But Mexico's seasoned negotiators see no upside.

The alternative is to drag the whole circus to Washington and then up to frozen Montreal in the new year and try to keep the show on the road for as long as possible — with the very real possibility that Mr Trump's patience will snap at some point.

But if the US thinks it can invoke Nafta's Article 2205 — the one that allows for any party to trigger a six-month notice period before withdrawal — and still keep negotiating during that time, the Mexican message is: think again. "If someone wants to leave, they can," said the source. "But the boat will sail."

That smacks of bravado, though — even Carlos Salinas says the loss of Nafta would hit the US hard, but Mexico harder.

Officials will now try to find the wriggle room in some of the proposals. One already discussed is a way of making the sunset clause work by agreeing to regular reviews, only with no sudden death. On the others, the game of chicken continues.

The Mexicans and Canadians have been working hard try to play up the growing isolation of the official US stance in its own backyard. "This is a trading relationship that works for both sides," said Chrystia Freeland, Canada's foreign minister at the end of the round last week, pointing to a letter signed by 76 members of the US Congress supporting Nafta. "I think we're starting to see a recognition of that among many Americans."

The united front even encompasses the hard-left frontrunner for Mexico's presidential elections next July. Mr Salinas, noted that even "He Who Must Not Be Named", as he called Andrés Manuel López Obrador, had come round to the view that Nafta must be defended. This is part of Mr López Obrador's toned-down rhetoric on a number of touchy subjects. Unveiling his policy platform last week, as the Nafta talks were under way, he promised friendship with the US. Meanwhile, Mexican officials are already sketching a scenario in which negotiating rounds extend beyond a current self-imposed March deadline.

No one is banking on a Christmas breakthrough. So as talks head north again everyone should expect the mood to match the winter temperatures.

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