



MERITAS[®]
LAW FIRMS WORLDWIDE

RENEGOTIATING NAFTA: WHAT'S ON THE TABLE?

WEDNESDAY, 6 SEPTEMBER 2017

PRESENTED BY

Hugo Cuesta Leño | Cuesta Campos y Asociados | Mexico City, MEXICO

Didier Culat | BCF LLP | Québec City, Québec CANADA

Brian Walsh | Barnes Richardson & Colburn, LLP | Chicago, Illinois UNITED STATES

HOUSEKEEPING ITEMS

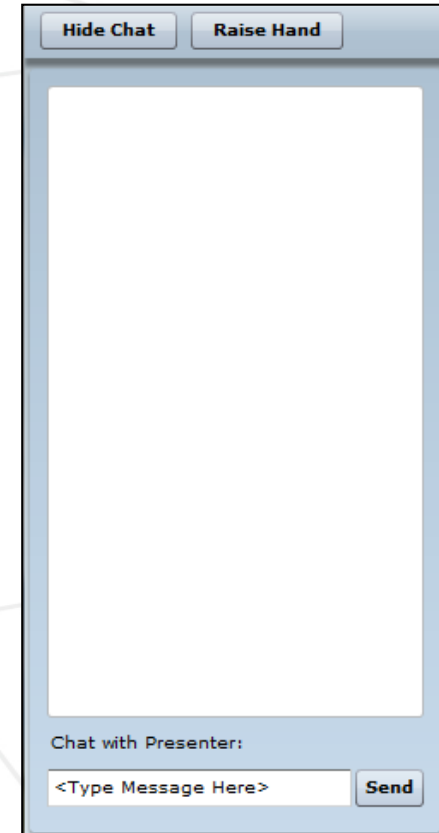
- Audio will be broadcasted through your computer speakers
- To listen through your telephone dial:

(US & Canada): +1-866 740-1260
(International): +1-303 248-0285

Enter Participant Code: 6040090

Your phone line will be muted

Dial *0 at any time for technical support
- Questions may be submitted to the presenter via the chat feature on your computer



RENEGOTIATING NAFTA: WHAT'S ON THE TABLE?

- **GENERAL OVERVIEW –**

- What is NAFTA and why does it matter?

- **OBJECTIVES AND PRIORITIES –**

- Who are the players and what's on the agenda?

- **KEY CHALLENGES AND CONCERNS –**

- Separating fact from rumor
 - Trade Deficit
 - Politics vs. Trade
 - Deal Breakers

- **CONCLUSION**



NAFTA FACTS

- MORE THAN 1 MILLION PEOPLE AND 370K VEHICLES CROSS THE BORDER LEGALLY EVERY DAY.
- TRADE BETWEEN U.S. AND MEXICO IS WORTH APPROX. 1 MILLION USD PER MINUTE.
- TRADE WITH CANADA AND MEXICO ACCOUNTS FOR ALMOST 14 MILLION JOBS IN THE U.S.
- MEXICO:
 - 1st/2nd purchaser of 29 of the 50 U.S. States.
 - 3rd purchaser of U.S. exports.
 - 3rd largest trade partner of the U.S.



NEGOTIATION PRIORITIES FOR MEXICO

- 1. STRENGTHEN COMPETITIVENESS FOR NAFTA COUNTRIES.
- 2. PROMOTE REGIONAL TRADE.
- 3. MODERNIZE NAFTA.
- 4. PROMOTE TRADE CERTAINTY AND INVESTMENT IN THE NAFTA REGION.



CURRENT U.S. NEGOTIATING STRATEGY

- **CONTINUED THREATS TO WITHDRAW**
- **IMPROVE US MERCHANDISE TRADE DEFICIT**
- **DELAY IN ADDRESSING DIFFICULT ISSUES**
- **REAL ESTATE NEGOTIATION ANALOGY**
- **DISCONNECT BETWEEN NEGOTIATION GOALS AND WISHES OF INDUSTRY/CONGRESS**



MEX - U.S. TRADE FACTS

U.S. CENSUS BUREAU / U.S. DEPARTMENT OF COMMERCE

TOTAL TRADE (2016)					
Rank	Country	Exports	Imports	Total Trade	Percent of Total Trade
--	Total, All Countries	1,454.6	2,188.9	3,643.6	100%
1	China	115.8	462.8	578.6	15.9%
2	Canada	266.8	278.1	544.9	15.0%
3	Mexico	231.0	294.2	525.1	14.4%

TRADE DEFICITS (2016)		
Rank	Country	Deficit
1	China	-347
2	Japan	-68.9
3	Germany	-64.9
4	Mexico	-63.2

Data are goods only, in billions of USD.

#2
Of U.S. Imports



Mexico

#3
Of U.S. Exports



MERITAS
LAW FIRMS WORLDWIDE

CANADA / U.S. TRADE FACTS

International Trade Between U.S. and Canada

The United States and Canada enjoy an economic partnership unique in the world. The two nations have one of the world's largest and most comprehensive trading relationships. The prosperity of each of our countries is becoming more tied to the competitiveness of the entire North American region. In 1990, each country began

exchanging its import data to use as the other country's export data resulting in reduced burden on exporters, increased trade, and greater coverage and quality of the information collected. The data below shows this economic partnership between the United States and Canada.

1990:

US\$ 91 B from Canada

US\$ 83 B from US

US\$ 174 B Total Trade

2012:

US\$ 324 B from Canada

US\$ 293 B from US

US\$ 617 B Total Trade

US\$ 82 B Energy from Canada



CANADA / U.S. TRADE FACTS

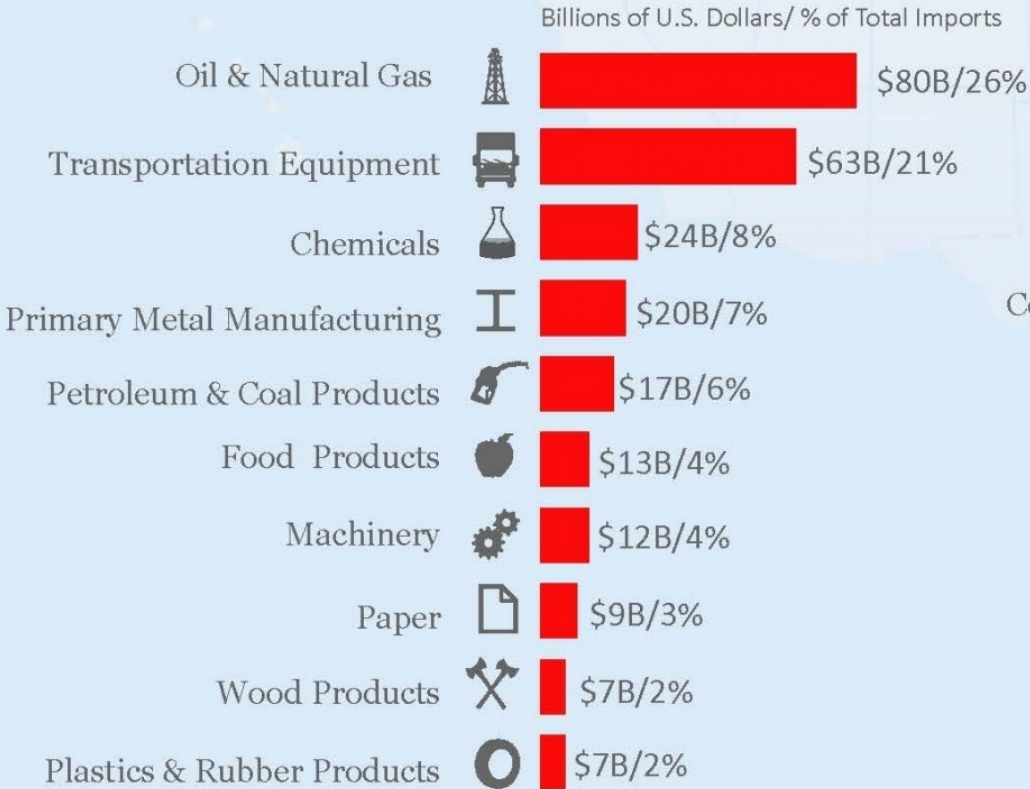
U.S. and Canada trade in goods has increased threefold since 1990



CANADA / U.S. TRADE FACTS

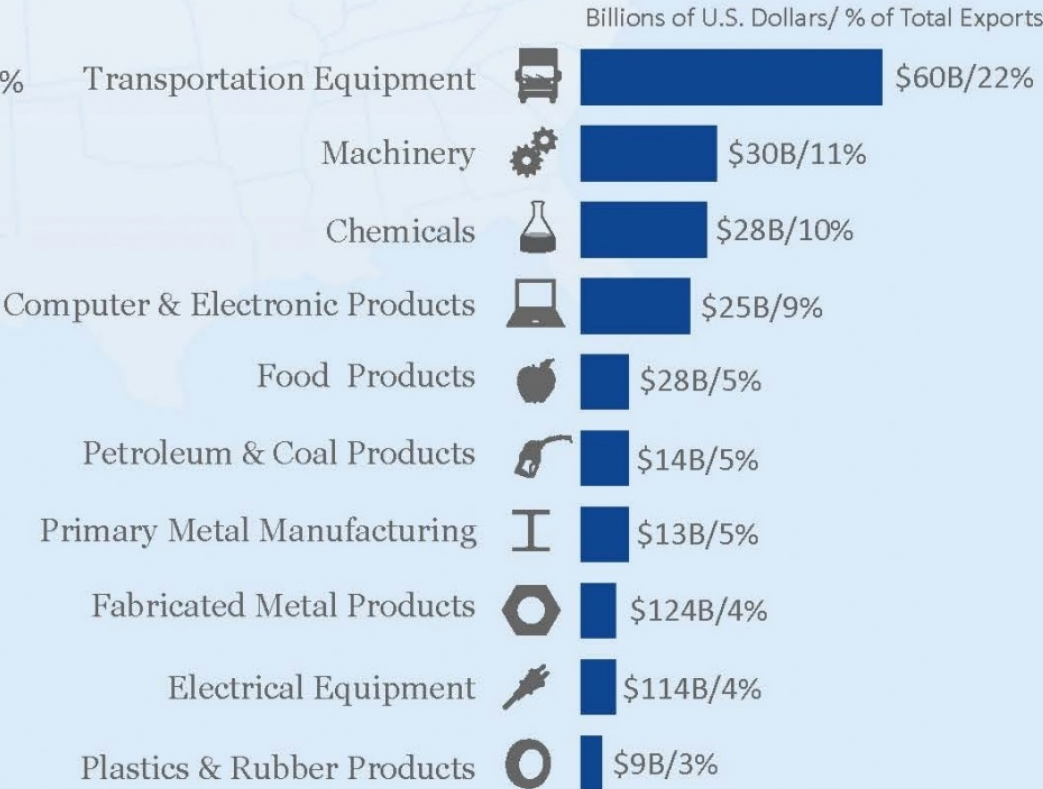
Top Imports

from Canada in 2013*



Top Exports

to Canada in 2013*



Source: U.S. Census Bureau, Foreign Trade Division | www.census.gov/trade

*January through November 2013



CANADA / U.S. TRADE FACTS

	2013	2014	2015	2016
CA\$ Exports to US	335 B	377 B	366 B	353 B
CA\$ Imports from US	247 B	278 B	285 B	278 B
Total Trade CA\$	582 B	655 B	651 B	631 B
CA\$ Energy Exports to US	115 B	133 B	94 B	76 B
% of Total Exports to US	34%	35%	25%	21%



CANADA / MEXICO TRADE FACTS

	2013	2014	2015	2016
CA\$ Exports to Mexico	4.8 B	5.3 B	6.3 B	7.2 B
CA\$ Imports from Mexico	26.7 B	28.8 B	31.2 B	33.2 B
Total Trade CA\$	31.5 B	34.1 B	37.5 B	40.4 B



NAFTA – WHAT WE STAND TO LOSE

- **ECONOMIES INTEGRATED/BILLIONS IN INVESTMENT**
- **DISRUPTION OF 3 ECONOMIES**
- **AUTO PARTS CROSS NAFTA BORDERS UP TO 8 TIMES**
- **LOSS OF COMPETITIVENESS AND CAPABILITIES TO ASIA (60% OF US TRADE DEFICIT: CHINA)**
- **US CONTENT OF VEHICLES FROM MEXICO PRE-NAFTA: 5%**
- **US CONTENT OF VEHICLES FROM MEXICO IN 2014: 40%**



TRADE VS. POLITICS

OFFICIAL COMMUNICATION FROM THE MEXICAN MINISTRY OF FOREIGN AFFAIRS

- 1. THIS IS NOT A NAFTA NEGOTIATION STRATEGY, BUT MEXICO WILL NOT PAY UNDER ANY CIRCUMSTANCE FOR THE WALL.
- 2. MEXICO'S NEGOTIATION STRATEGY IS TO PRIORITIZE MEXICO'S INTERESTS BUT UNDER A WIN-WIN APPROACH.
- 3. MEXICO WILL ONLY NEGOTIATE NAFTA THROUGH OFFICIAL CHANNELS AND NOT THROUGH SOCIAL MEDIA.



OUTCOME OF FIRST ROUND

- CONFIDENTIALITY AGREEMENT.
- PURPOSE: DEFINE NEGOTIATION PROCESS.
- 30 CHAPTERS, ONLY 11 MET.
- ALL TABLES DISCUSSED THE TRADE DEFICIT.
- U.S. WANTS TO DRAFT. CANADA AND MEXICO SAID NO.
- TOPICS WHERE NEGOTIATORS HAVE “AGREED NOT TO AGREE”.
- MEXICO REFUSED SALARY HOMOLOGATION AND U.S. UNIONS ACTIVE IN MEXICO.
- NO DISCUSSION OF CHAPTER 19.
- IF U.S. INITIATES TERMINATION PROCESS, MEXICO STOPS NEGOTIATIONS.
- WORST CASE SCENARIO IS TO USE WTO RULES.
- MEXICO: 37% OF EXPORTS GO TO U.S., THE REST TO 45 OTHER COUNTRIES WITH FTA.

TOPICS FOR SECOND ROUND

- AGRICULTURE
- TELECOMMUNICATIONS
- COMPETITION
- LABOR
- INVESTMENT
- ANTICORRUPTION
- RULES OF ORIGIN
- ENVIRONMENT
- IP



DEAL BREAKER FROM U.S. PERSPECTIVE

- **FAILURE TO PRODUCE A “WIN”**
- **FAILURE TO HAVE DEMONSTRABLE CHANGES WHICH CAN BE REPRESENTED TO:**
 - Decrease US Trade Deficit
 - Increase US Manufacturing Employment
 - “Level the Playing Field”
 - Preserve US Sovereignty





MERITAS[®]
LAW FIRMS WORLDWIDE

THANK YOU

CONTACT: Jamilee George-Rodriguez | Latin America and the Caribbean | 305.300.0353 |
jgeorge@meritas.org | www.meritas.org