

# Trump administration issues sweeping demands on trade as NAFTA talks near

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The Trump administration will make wide-ranging demands to sweeten the North American free-trade agreement for U.S. companies in talks with Canada and Mexico that could start next month.

U.S. Trade Representative Robert Lighthizer on Monday released a sweeping list of more than 100 negotiating objectives – such as abolishing trade dispute resolution panels that have regularly ruled in Canada’s favour, including on the long-running softwood lumber dispute, and giving American companies more access to Canadian government contracts while reserving the right to bar Canadian firms from seeking U.S. contracts under so-called “Buy America” provisions.

At a White House photo-op celebrating American-made products earlier in the day, U.S. President Donald Trump declared many free-trade deals were “stupid trade” and promised big changes over the next six months.

“We’re going to end up having a level playing field,” he said. “If the playing field were slanted, like, a little bit toward us, I’d accept that also.”

The list of objectives, many of which were broad and vaguely worded, are only an early step in what is certain to be a complicated round of talks between the three countries.

As much as signalling what will be on the table, the 18-page document was meant to build support for the renegotiations in Congress, which must approve any eventual deal, and please the President’s base, much of which voted for him on a promise of “America First” economic protectionism.

Talks could start as soon as Aug. 16. Under U.S. law, the administration must publish its

objectives 30 days in advance to give Congress time to provide feedback before negotiations start. Sources have told *The Globe and Mail* that the United States has proposed starting the discussions in Detroit or Pittsburgh, to highlight Mr. Trump’s promise to rewrite trade deals to bring industrial and manufacturing jobs back to the U.S. No final decision on this has been made.

Among the many items on Washington’s lengthy wish list, the United States will demand:

- The abolition of Chapter 19, which provides for the binational panels to hear complaints about unfair trade and issue binding decisions. The panels were a key Canadian demand in its original free-trade talks with the United States three decades ago. But American critics have lambasted it as an unfair ceding of U.S. sovereignty; in the absence of Chapter 19, Canadian companies would have to turn to U.S. courts to plead their case.

- More opportunities for American companies to bid on public procurement in Canada and Mexico. But the list makes clear the United States does not necessarily want to reciprocate, specifying it would like to keep “Buy American” provisions and allow state governments to impose barriers to Canadian and Mexican firms.

- An increase in the amount of goods Canadians can purchase across the border without paying duties or taxes. Currently, the de minimis rate for Canadians is \$20, which has not changed since the early 1980s. Washington wants this raised to \$800 (U.S.), the same exemption American consumers enjoy. Such a change would mean cheaper online shopping

for Canadians but fiercer competition for Canadian retailers from U.S. companies.

- Fewer restrictions on U.S. telecommunications and financial companies that want to do business in Canada and Mexico. Current Canadian policies ensure that telecom giants BCE Inc., Rogers Communications Inc. and Telus Corp. are off-limits to foreign buyers, a state of affairs the United States has complained about in the past. U.S. carriers could also seek more access to wireless networks for international roaming.

- A reduction in the U.S. trade deficit in goods – something that would entail either increasing American exports or reducing Canadian and Mexican ones.

- Stricter “rules of origin” that govern the percentage of content in a product that must be produced in NAFTA countries to qualify for tariff-free import and export. Such changes could particularly affect the auto sector.

- More market access for U.S. agricultural products. The document does not, however, spell out whether the United States will specifically target Canada’s contentious supply-management system, a price-fixing arrangement that favours Canadian-produced dairy, eggs and poultry over imports.

Foreign Affairs Minister Chrystia Freeland reminded Americans of how important Canada is to the U.S. economy. “Canada is the top customer of the United States. Canada buys more goods from the U.S. than China, Japan, and the United Kingdom combined,” she said in a statement.

One Canadian official said Ottawa will not know for certain what the United States is actually going to demand until talks start. The official said Canada is nonetheless relieved some of the more protectionist measures floated by the United States – such as a border tax targeting imports – were not listed explicitly.

Trade experts said the administration had left itself broad room to manoeuvre in the talks.

“The objectives are anything and everything – basically it sounds good,” Ottawa trade consultant Peter Clark said. “Ambassador Lighthizer has set a flexible position without specific targets to miss.”

Added Mark Warner, a lawyer who specializes in bilateral trade: “The stuff where they know they’re going to have to negotiate more carefully – on rules of origin and agriculture – they’ve thrown down vague language.”

The rules of origin section, he said, could be interpreted to signal that Washington will demand a U.S. content requirement on some goods, but is careful not to say this explicitly.

Robert Holleyman, a former No. 2 trade official under former president Barack Obama, said the piecemeal approach could cause problems. Demanding a cut in the U.S. trade deficit in goods, for instance, could cause Canada and Mexico to counter by targeting exports of American services.

“The proposal looks not to trade as a whole for the economy, but to segments and pieces. That poses risks for the negotiators and will no doubt cause concern on the part of a number of leading U.S. companies,” he wrote in an e-mail.