

Believe it or not, on NAFTA Donald Trump makes sense

By Thomas Walkom

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When it comes to the North American Free Trade Agreement, much of what Donald Trump says makes sense.

I know it's unpopular in Canada to say this. Trump is usually portrayed here as a dangerous loon, whose protectionist views risk throwing the world back into recession — or worse.

During the latest round of NAFTA talks this week, Mexican and Canadian negotiators treated core U.S. proposals as so stupid that they refused to discuss them.

Instead, as Canadian Press reported, they insisted that the American side explain in detail how its plans would work — in the hope that this Socratic exercise would allow it to see the error of its ways.

One Canadian industry figure mocked as absurd U.S. suggestions to toughen up so-called rules of origin in auto manufacturing, noting that in the case of plastic parts, this would require knowing where the petroleum feedstock came from, which in turn would require knowing when and where the dinosaurs died.

In fact, I suspect skilled trade negotiators could draft regulations as to which auto parts are deemed North American without knowing anything about dinosaurs.

The essential point is that Trump's negotiators in these three-way talks between Canada, the U.S. and Mexico want autos that have been accorded the privilege of moving duty-free throughout North America to be substantially manufactured in this continent.

To that end, they would raise the minimum North American content in autos from 62.5 to 85 per cent.

The big car companies say this is far too high. But then they would. They would prefer to buy as many of their parts as possible from low-wage suppliers in China and South-East Asia.

For North American auto and steel workers, however, higher content rules could be a benefit.

The point here is not that Trump's 85 per cent is the right number. It is that his insistence on more North American content is not ridiculous.

Nor is his insistence that auto production be tied somehow to auto sales. That was the theory behind the 1965 auto pact between Canada and the U.S., a pact still lionized on the left.

Trump's version would require 50 per cent of all NAFTA-qualifying autos to be manufactured in the U.S. It's a way to staunch the flood of auto manufacturing jobs to low-wage Mexico — a flood that has been denounced by both American and Canadian unions.

Again, the 50 per cent number might be wrong. But the idea — figuring a way to protect good jobs from low-wage competition — is not.

On it goes. Canadians, particularly those on the left, have long denounced NAFTA's Chapter 11, which gives foreign businesses the right to challenge sovereign governments before so-called investor-state dispute settlement panels.

It has been used successfully numerous times by U.S. firms unhappy with Canadian law.

Prime Minister Justin Trudeau would keep some version of Chapter 11. Trump would allow governments to opt out.

For critics of NAFTA, Trump's is obviously the better option. Yet I don't see him getting much praise.

The U.S. and Canada are also at loggerheads over Chapter 19, which allows NAFTA countries to challenge one another's trade practices before an independent panel.

It's not a strong chapter. The panels are authorized only to determine whether countries are following their own laws. In some cases when the U.S. has lost, it has responded by simply changing the law to match its practice.

But Trump wants to axe Chapter 19 anyway, calling it an affront to U.S. sovereignty. Canada, meanwhile, has chosen to treat this part of NAFTA as a deal breaker and has threatened to walk away if it is killed.

I am not sure who is more irrational here: Trudeau for his insistence on keeping a provision that doesn't mean that much or Trump for his insistence on removing it.

Finally, Trump would introduce a sunset clause whereby the treaty would automatically expire after five years.

I can see why he wants this. It would keep Canada and Mexico on their best behaviour. Similarly, I can see why Canada and Mexico are desperately opposed.

Canada has called this too a deal breaker.

Maybe NAFTA will founder on the sunset clause. Maybe Canada and the U.S. will eventually hammer out far less ambitious trade arrangements in, say, agricultural products and autos.

That shouldn't bother too much those Canadians who never wanted NAFTA in the first place. And it certainly won't bother the left's most unlikely ally in this matter: Donald Trump.