

#NAFTApocalypse



« [NAFTApocalypse Now](#) », to borrow Christopher Sands’s title to its Research Intelligence memo, continues to be an accurate description of the current atmosphere in the trade world. In August 2017, when the so-titled memo was issued, it held all the effects of a time bomb, and still does today as President Trump continues to threaten to rip up NAFTA. **Are these just empty threats, or should we fear that the Americans might follow through?**

What is NAFTA - and why do we need it?

The North American Free Trade Agreement, signed in 1994, **became at the time the most ambitious trade deal** bringing down barriers between Canada, Mexico and the United States. It allows for an easier procedure in export and imports, lowers custom duties, and grants access equal to that of nationals of the parties. The end of NAFTA would mean significantly higher costs for goods – cars, for example.

In 2016, [NAFTA](#) was

- Close to USD 1 trillion in total merchandise trade
- Representing a threefold increase since 1993
- 28% of the world’s GDP for less than 7% of the population

And yet, Robert Lighthizer, US’s top trade official, justified the launch of renegotiations by the fact that **NAFTA had caused the loss of 700 000 US jobs, and “fundamentally failed” the US domestic job market.**

The art of the international deal

In the trenches of trade negotiations lie a peril unseen – unhinging the entire value chain and globalization. It started with talks of just “tweaking” NAFTA, that no party had discussed or

protested in the past years. **Reviewing trade agreements is in fact quite standard**, and many partners are currently in the process to bring the agreements into the century with a broader scope. It has now come to a full-blown revisiting of the text – adding **new chapters** (electronic commerce, free movement of business persons), **reviewing outdated sections** (agriculture, rules of origins), **rewriting contested ones** (resolution of disputes between investors and States). **Canada seized the occasion to introduce its [progressive trade agenda](#)** – promoting gender equality, ensuring sustainable development, advancing rights of indigenous communities.

Results of round 6 of negotiations, held in Montreal in January 2018, were scarce. A sole chapter, on anti-corruption, was agreed. Issues on rules of origins, investment, intellectual property, or agriculture, remain unresolved. Closing the round on a note of “cautious optimism”, Canadian PM Trudeau announced the following week he would not be afraid to walk away from NAFTA, if Americans could not compromise. The US replied to this was that separate deals could be done for Canada and Mexico...

Such escalating tension might be considered as a sign that resolution is near. But experts continue to think this option unlikely. Meanwhile, the White House released in January a [statement](#) listing the President’s accomplishments to promote free, fair and reciprocal trade deals for the US, including the US’s withdrawal from the TTIP, and NAFTA’s renegotiation.

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Round 7 of NAFTA talks will be held from February 26 to March 6, in Mexico. **Can we expect a breakdown in negotiation, and the end of free trade between the three countries? Or will it just be another step towards NAFTA 2.0?** Protecting women and minorities, promoting sustainable development, ensuring the rights of the indigenous communities. A great divide still exists between both, and Round 7 will be crucial. It seems somewhat appropriate that it be held in Mexico, responsible in part for the US’s trade deficit, according to the latter. Governments, businesses, labor groups and civil society will await, with bated breath.