

WORLD

U.S., Canada, Mexico Make Minor Progress on Nafta Talks

U.S. Trade Rep Lighthizer says there is 'mutual agreement on many important issues'



Canadian Foreign Minister Chrystia Freeland, Mexico's Economy Minister Ildefonso Guajardo and U.S. Trade Representative Robert Lighthizer pose for a photo after addressing the media to close the second round of Nafta talks on Tuesday. PHOTO: EDGARD GARRIDO/REUTERS

By William Mauldin and Dudley Althaus

Updated Sept. 5, 2017 6:05 pm ET

MEXICO CITY—U.S., Canadian and Mexican officials, buffeted by political disagreements and controversial moves by the Trump administration, notched relatively minor progress in recent days in a big push to renegotiate the North American Free Trade Agreement this year.

The second round of Nafta talks in Mexico City wasn't intended to result in major breakthroughs or serious horse-trading among negotiators, and more substantive progress is expected in the third round later this month in Ottawa, officials said. Canadian Foreign Minister Chrystia Freeland said the second round built on the preparatory work of the first round in Washington.

"We have found mutual agreement on many important issues," U.S. trade representative Robert Lighthizer told reporters Tuesday.

U.S. officials said they reached broad consensus, but not full agreement, in provisions governing small and medium businesses, services, digital trade and the environment.

Mexico’s Economy Minister Ildefonso Guajardo said he expects to “start seeing results in the third round of talks.”

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An adverse political backdrop isn’t helping negotiators with a goal of wrapping up talks around the end of the year and submitting a new Nafta for approval in the countries’ congresses and parliament as soon as next year.

President Donald Trump, who made criticism of Nafta a centerpiece of his 2016 campaign, recently renewed threats to pull out of the trade agreement, which has bound North American economies through shared commercial rules and duty-free trade for 23 years.

Participants in the talks described the meetings—which took place beyond closed doors in an upscale hotel in the Mexican capital—as professional and not unfriendly. Many of the officials have worked together recently on the abortive Trans-Pacific Partnership, the unratified 12-country deal that Mr. Trump exited in January, or in the 1990s on the original Nafta talks.

But observers say the public demands and often-unwelcome policy moves from the governments back home are challenging Nafta negotiators, who will need a combination of hard work, flexibility and luck to hammer out a deal that can survive political scrutiny.

Mr. Lighthizer disputed the notion that the political demands are hurting the Nafta talks. “I don’t think it makes it any harder at all,” he said. “It just shows that it matters.”

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Mexican President Enrique Peña Nieto addressed Nafta directly on Saturday, telling Mexicans in an annual address that he won’t accept a deal that hurts the country’s “dignity.”

Canada’s Liberal government has made it clear that it won’t agree to the numerous demands of the Trump administration without a fight—or without winning “progressive” new standards on labor and the environment that aren’t likely to be welcomed by Republicans in Washington.

“There’s no secret that the labor provisions will be contentious,” Mr. Lighthizer said.

Mr. Guajardo, Mexico's Economy Minister, noted that labor issues could be among the harder ones to deal with.

But the Trump administration has made the biggest waves, seeking to insert "America first" provisions in the three-country deal, including "buy American" procurement provisions and U.S. content rules for the auto industry. Mr. Lighthizer said Tuesday that manufacturing workers hurt by Nafta won't be forgotten.

During the Mexico City talks, Trump administration officials said the president is considering starting the process of exiting a five-year-old trade pact with South Korea as early as Tuesday. The move didn't go unnoticed at the Nafta gathering, and some observers saw it as a warning about Mr. Trump's attitude toward all trade deals.

"If they're threatening to withdraw from the Korea agreement in the middle of a crisis on the Korean Peninsula, then you come to the conclusion you're working with people who don't want to negotiate," said Mickey Kantor, the former U.S. trade representative in the Clinton administration who won congressional approval of Nafta.

Mr. Lighthizer said Tuesday that the Trump administration would like some amendments to the agreement with South Korea. "My hope is we'll have a successful discussion with the Koreans," he added.

Then just hours before negotiators wrapped up the latest talks, the Trump administration rescinded the Obama administration's immigration program that has allowed unauthorized immigrants brought to the U.S. as children to remain in the country.

While Tuesday's move against "dreamers" by winding down the Deferred Action for Childhood Arrivals program isn't directly connected to the talks, it could cast a shadow on efforts to strike a deal suitable to Mr. Peña Nieto, as Mexico faces presidential elections next year.

The Mexican government is "obviously concerned" about the well-being of its nationals, Mr. Guajardo said, but "it's not an issue that at this moment is technically linked to the negotiations."

The leftist front-runner in next year's vote, Andrés Manuel López Obrador, criticized trade and globalization in a speech Tuesday in Washington at the Wilson Center think tank. "It is not cheaper to buy from the outside than to produce within our borders," he said.

Mexico has vowed to defend its citizens' rights in broader, bilateral talks with the Trump administration, including the labor rights of Mexican migrant workers in the U.S.

The Mexican election, along with the U.S. congressional elections next year, has led Washington and Mexico City to push for a Nafta deal by the end of the year, a goal that Canadian Prime Minister Justin Trudeau has also recognized.

To achieve that, negotiators will have to accelerate progress in future rounds.

U.S. officials are still working with business and labor groups, Congress and government agencies to figure out their exact stance on sensitive issues. The U.S. domestic consultations—on issues including a divisive dispute system that allows investors to challenge governments, and on complicated “rules of origin” for determining which products get duty-free treatment in North America—have had the effect of delaying progress in some areas and could also give an opening to Mexico and Canada to get their language to the negotiating table first, a former Canadian official said.

“We all have clearance processes that we have to go through,” Mr. Lighthizer said.

The Trump administration is working to strike a balance domestically between its own efforts to boost U.S. sovereignty and reduce Mexican imports in an updated Nafta and the requirements for getting a deal through a Congress led by Republican lawmakers, which back less controversial updates to the deal.

For any deal reached with Canada and Mexico, “I have to get it through the White House, and then I have to get it through Congress,” Mr. Lighthizer said.

—Robbie Whelan and Jacob M. Schlesinger contributed to this article.

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Appeared in the September 6, 2017, print edition as ‘Minor Progress Made in Nafta Deal.’