The United States–Mexico–Canada Agreement: Overview and Outlook

By Gary Hufbauer and Steven Globerman

SUMMARY

- The US–Mexico–Canada Agreement replaces NAFTA as the legal North American trade and investment regime. It will be implemented after ratification by each government. Ratification in the US by a likely newly elected Democratic Congress is probable, but not certain.

- Notwithstanding President Trump’s characterization of NAFTA as the worst trade deal ever signed by the US, the USMCA doesn’t create much change.

- The main changes from NAFTA affect the auto sector. Higher domestic content requirements and an implicit minimum wage will likely increase the costs of producing autos in North America. Canadian consumers will be worse off, but Canadian auto companies might benefit if some production activity moves from Mexico to Canada.

- Dairy exports from the US to Canada will increase modestly. Supply management remains intact in Canada—to the detriment of Canadian consumers.

- Intellectual property protection, particularly for biological drugs, will be strengthened in Canada. This might mean higher prices for Canadians but also possibly greater access to new drugs.

- Canadian cultural regulations remain untouched. Whether they can be maintained in practice with the growth of Internet broadcasting is an open question.

- The dispute resolution mechanism remains in place. However, given the power that US presidents have to restrict trade in the interests of national security, the value to Canada of continuing the dispute resolution process is also questionable.

- Existing US steel and aluminum tariffs remain in place.
Introduction

Even as they fade into history, President Donald Trump’s attacks on NAFTA will not be forgotten, certainly not by Canadians or Mexicans. Appendix A lists Trump’s many anti-NAFTA statements and tweets, starting in 2015 and extending to the moment he embraced the new US–Mexico–Canada Agreement (USMCA) on September 30, 2018. During the 2016 presidential campaign and in the White House, Trump not only amplified populist arguments against NAFTA, but added twists of his own:

- Trade deficits with Mexico and Canada prove that America was ripped off;¹

- Thanks to the serial incompetence of Presidents George H.W. Bush, William Clinton, George W. Bush, and Barack Obama, the US allowed itself to be victimized by unfair trade practices by its trade partners;

- As a result, thousands of US manufacturing firms were put out of business and millions of American jobs were destroyed.

The force of Trump’s verbal attacks presaged the doom of NAFTA during his presidency, reverting North American trade to pre-NAFTA tariffs or worse. But the text of the new US–Mexico–Canada Agreement,² released near midnight on September 30, 2018, was closer to NAFTA than presidential attacks or stormy negotiations had suggested. In part, the outcome reflected diplomacy practiced by Canada and Mexico, and powerful behind-the-scenes pressure from US businesses and their Congressional allies. But it also reflected the application of Trumpian tactics: first, shout your grievances; second, insult your counter-party; third, compromise on a deal; and fourth, claim a magnificent success.

Canada joined the pact late in the day, in the wake of insults hurled by Trump at Canada generally, and Minister of International Trade Chrystia Freeland specifically. To be fair, Canadians hurled their own insults at Donald Trump and Trade Ambassador Robert Lighthizer. In the final days of the negotiations, Canada was faced with Trump’s success in wrapping up a deal with Mexico that Canada could either join or stay outside of. However, it was not just one-sided concessions from Canada that brought the deal together. Trump’s aggressive tactics encountered stiff resistance from prominent Democrats and Republicans who warned that they would oppose any agreement between the US and Mexico that did not include Canada.

The significance of the September 30 deadline was to give the US Congress 60 days’ notice, consistent with US Trade Promotion Authority (TPA), before Presidents Donald Trump and Pena Nieto, and Prime Minister Justin Trudeau, sign the agreement at the end of November 2018 (just before Nieto surrenders the Mexican presidency to Andres Manuel Lopez Obrador).

The initial US demands

Having set the political stage, Trump entrusted Ambassador Robert Lighthizer to negotiate with his Canadian and Mexican counterparts, Chrystia Freeland and Ildefonso Guajardo.

¹ Reinsch, Robison and Lepczyk (2018) review the statistical battle underlying the claim that Canada currently has a trade surplus with the United States. US Commerce Department data in fact shows a small US bilateral trade surplus in 2017 (counting both goods and services), but if US re-exports to Canada of Asian merchandise are excluded, the US has a trade deficit.

At the first two negotiating sessions, held in August and September 2017, Lighthizer tabled six demands, soon labeled “the poison pills”.3

- Trade in goods should be “balanced,” implying that Mexico and Canada should unilaterally reduce their merchandise trade surpluses with the United States.

- North American rules of origin for autos and parts should be tightened—85 percent of the value of assembled cars should originate in North America, rather than 62.5 percent—and 50 percent of the value of those assembled cars should be made in the United States.

- Canada and Mexico should open federal, state, and provincial procurement to US firms, but US federal and state governments (and private pipeline companies) should “Buy American.”

- The special NAFTA Chapter 19 arbitration system for anti-dumping and countervailing duty cases, the NAFTA exclusion for most US global safeguard cases, and the investor-state dispute system (ISDS) should all be abolished.

- Canada should dismantle its supply management system for dairy, allowing broad market access for US dairy exports.

- NAFTA 2.0 should “sunset” after five years, unless affirmatively renewed by the parties, to ensure that the foregoing demands were met to US satisfaction.

Echoing strong popular opposition, Canadian and Mexican leaders rejected these demands, and the next five negotiating sessions were largely devoted to “modernizing” NAFTA, drawing heavily on chapters from the Trans Pacific Partnership “to which the US had been a negotiating party, but from which President Trump withdrew the US after his inauguration. But it must be recalled that at this stage and later, Canada was no champion of freer trade. NAFTA kept huge sectors of the Canadian economy off limits to US competition: agricultural supply management, cultural industries, telecommunications, banking, and a good part of transportation. Only tiny dents in this protective shield were made in the final text. Moreover, in the early negotiating sessions, Canada asked the US federal government to abolish state “right to work” laws and to adopt social clauses to promote “progressive trade”—both non-starters.

By the seventh session, held in Mexico City at the end of February 2018, language had been agreed upon for six of 34 prospective chapters and substantial progress was made on others. However, progress was absent, to the public frustration of Ambassador Lighthizer, on core US demands, summarized in the poison pills.

By summer 2018, it was clear that Lighthizer could not achieve his poison pills, even though the president had stepped up the pressure by imposing “national security” tariffs on global steel and aluminum imports, including imports from Canada and Mexico, and was threatening kindred tariffs on autos.4 Meanwhile, Trump’s shotgun blast against trade partners from Can-

3 The six US demands were first announced by the Office of the United States Representative (2017). The provision to have a “sunset clause” inserted in the agreement and the call to dismantle supply management were tabled later.

4 The tariffs were imposed under the authority of Section 232 of the Trade Expansion Act of 1962, a statute which had only been used three times previously, for narrowly defined imports. Most trade and security experts criticized Trump’s actions as
ada and Mexico to Germany and Korea was gradually exchanged for an elephant gun aimed at China. It is likely that in private, President Trump told Ambassador Lighthizer to wrap up the NAFTA drama so the US could focus on trade relations with China, and Ambassador Lighthizer crafted a compromise agreement with Mexico. The bilateral strategy paid off: Canada signed at the eleventh hour. When the text was released, to the relief of many, the USMCA left several core features of NAFTA untouched.

**NAFTA features untouched in the USMCA**

Several core features of NAFTA survived the USMCA negotiations:

- Chapter 2 guarantees national treatment and market access for goods, and recites the tariff schedules with thousands of entries, almost all of them zero. The important non-zero tariffs are the Section 232 “national security” levies that President Trump has imposed on steel and aluminum, and the retaliatory tariffs imposed by Canada and Mexico. These remain to be negotiated.

- Chapter 14 guarantees national treatment and minimum standard of treatment for most investors. However, multiple annexes preserve non-conforming measures, while investor-state dispute settlement (ISDS) is severely curtailed. This latter feature of NAFTA allowed investors to sue governments for discriminatory practices. Its elimination, with exemptions for existing investments and specific new investments unwarranted under the statute, and a legal objection was launched in the US Court of International Trade.

- Chapter 15 guarantees national treatment and most-favoured-nation (MFN) treatment for most cross-border services, and Chapter 17 does the same for financial services. However, multiple annexes preserve non-conforming measures, and cross-border long-haul trucks from Mexico to the United States are no longer permitted. Chapter 18 ensures cross border and facilities-based competition in telecommunications.

- Chapter 16, entitled “Temporary Entry,” appears to provide the same flexibility as NAFTA for business citizens of each country to work in the other two countries, and lists qualifying degrees for enumerated professions. However, the chapter has wiggle room for the United States to curtail entries if it has a mind to do so.

- Chapter 32 preserves the Canadian cultural exemption (a “red line” issue for Canada) for print, films, music, and radio and TV communication, while allowing the United States and Mexico to take measures of equivalent value in response. Of course, the rapid growth of the internet as a distribution medium for entertainment content is quickly eroding the commercial importance of the cultural exemption, as broadcast distribution over the internet is currently unregulated in Canada.

- Chapter 30, like NAFTA Chapter 20, provides for state-to-state resolution of disputes. However, each country can block effective resolution by refusing to name panelists and use other obstructionist tactics, as was true under NAFTA Chapter 20.
Negative features of the USMCA

Some of the changes in the new USMCA will seriously detract from the NAFTA obligations that have served to create a single North American economy. The big negatives reflect, albeit in weakened form, President Trump’s broad goal to turn back the clock on free trade and, as will be discussed below, Robert Lighthizer’s specific poison pills.

Integrating Canadian and US auto production was a signal accomplishment of the 1965 Auto Pact, while bringing Mexico into North American auto production was one of NAFTA’s great accomplishments. Both initiatives led to the increased efficiency of the North American automobile supply chain. The USMCA represents a huge step backward, as Trump seeks to slash the $200 billion annual US trade deficit in autos and parts by separating US from Canadian and Mexican production. The features of the USMCA, as they apply to the auto sector, reflect Trump’s ambition to use trade and investment restrictions to promote industrial policy. Specifically, the restrictions are intended to promote the growth of US manufacturing jobs, a particular Trump obsession.

Several chapters in the USMCA reflect Trump’s obsession with US manufacturing industries:

- Rules of origin for assembled autos and parts have been tightened to exclude components made outside North America—for example, parts made in China, Japan, Korea, or elsewhere. Broadly speaking, the NAFTA rule of origin called for 62.5 percent of the value of automobiles to be made in North America; the USMCA minimum is 75 percent. In addition, 40 percent of the value of cars and 45 percent of the value of trucks must be contributed by plants that pay wages of $16 an hour or more. Clearly this affects Mexican plants and not those in the US or Canada. Failure to meet the rules of origin will subject US auto and parts imports from Mexico or Canada to MFN tariffs of 2.5 percent, and truck imports (including popular pickup truck models) to 25 percent tariffs.

- In side letters, Mexico and Canada both agreed to cap assembled autos exported to the United States at 2.6 million units each. In 2017, Canada exported 1.6 million autos, and Mexico exported 2.4 million. Hence, while Canada has considerable scope to expand its auto exports to the US, Mexico is pressing up against its quota. In addition, Canada agreed to cap its exports of auto parts at $32.4 billion, compared with exports of under $10 billion in 2017. Mexico agreed to a cap of $108 billion, compared with exports of under $25 billion in 2017. While neither the caps on assembled autos nor caps on parts will bind for a few years, the principle of managed trade in the service of industrial policy has been firmly established. Moreover, since the new rules of origin will likely raise production costs in North America, they will probably increase the appeal of cars made in Europe and Asia to North American consumers. If so, they will furnish one more reason for Trump to push for restrictions on imports from Japan and the European Union.

- Chapter 6 lays out more restrictive rules of origin for trade in textiles and apparel. Tariff Preferential Levels (TPLs), namely, lower duties on non-originating yarn, fabrics, and the like when incorporated in finished tex-

5 The caps will be effectively enforced by the US threat of national security tariffs.
tiles or apparel, will be limited to 10 percent by volume.

As mentioned earlier, Investor-State Dispute Settlement (ISDS) is curtailed. Chapter 14 on investment is silent on ISDS between Canada and the United States for new investments. This implies that such investment disputes can only be resolved in state-to-state dispute proceedings under Chapter 30. For existing investments between the United States and Canada, called “legacy investments,” ISDS will be available for three years after NAFTA is terminated. As between Mexico and the United States, Annex 14-E retains the full ISDS system with respect to Mexico only for energy, power generation, telecommunications, transportation, and other infrastructure projects—meaning ISDS will be available for regulatory takings in these sectors by Mexico. All claims against the United States, and claims in other sectors against Mexico, can only seek awards for the breach of national treatment, MFN treatment, or expropriation. Indirect expropriation is to be decided on a case-by-case basis, but only rarely can non-discriminatory health, safety, or environmental regulations be challenged.

Government procurement is likewise curtailed. Chapter 13 is silent as to government procurement between Canada and the United States. Such coverage as remains exists under the terms of the WTO Government Procurement Agreement, which has limited coverage of US states and Canadian provinces. Chapter 13 limits the access of US firms to Mexican federal procurement as well as Mexican access to US federal procurement. Two-way access to state procurement is no longer covered. These changes reflect Trump’s “Buy American” policy. While the changes do not absolutely preclude cross-border competition for government procurement, the extent of competition will largely be determined by each federal, state, or provincial government for itself—inverting capture of politicians by local firms to hamper foreign competition.

Chapter 10 curtails arbitration proceedings that were secured under NAFTA Chapter 19 for anti-dumping and countervailing duty cases. Bi-national arbitration in lieu of final judicial review, to determine the consistency of penalty duties with national law, is no longer available between Mexico and the United States. Arbitration is retained between Canada and the United States. This was a “red line” for Prime Minister Justin Trudeau, given the magnitude and frequency of US anti-dumping and countervailing duties against Canadian exports (softwood lumber and many others).

Chapter 32, “Exceptions and General Provisions,” besides listing familiar carve-outs, contains a novel and offensive “China clause”: a party that intends to negotiate a trade agreement with China (or Cuba or North Korea) must first notify the other USMCA parties, and before signing the agreement must allow the other parties to review the text. If the agreement goes forward and another party objects, it may divorce itself from the USMCA. The obvious purpose of this provision is to discourage Canada (but also Mexico) from entering an agreement with China. Subsequent to the release of the USMCA text, Mexico’s trade negotiator, Jesus Seade, said that President-elect Obrador would likely open negotiations with China.
The final provisions in Chapter 34 lay out a modified version of Lighthizer’s “sunset clause.” The USMCA must be affirmatively extended after 16 years, and the agreement will be reviewed after 6 years. Following the review, negotiations will commence to deal with perceived defects. These provisions deliberately create a cloud of uncertainty for investment in Canada and Mexico, as Lighthizer intended, but not as dark a shadow as the ambassador envisaged in his original 5-year sunset clause.

Outgoing Mexican President Pena Nieto, and incoming president Andres Manuel Lopez Obrador (also known as AMLO) were both resigned to these negative changes as the price of trade peace during the remainder of Trump’s term. As well, Prime Minister Justin Trudeau reluctantly accepted the pact, after stoutly defending his “red lines”—the cultural exception and arbitration in trade remedy cases—and making only small concessions on dairy (discussed below).

Modest positives in the new agreement

Canada especially, but also Mexico, pushed the “modernization” theme during negotiations, leading to modest positives in the new agreement. None of these amount to significant trade liberalization, neither in Canada, Mexico, nor the United States. Several positives were drawn, with embellishments, from the Trans Pacific Partnership (TPP), which President Trump renounced early in his White House tenure. Other positives resulted from US insistence that Canada liberalize selected trade restrictions.

Most sensitive, not least because of Trump’s denunciations, is Chapter 3, which modestly liberalizes Canadian dairy barriers. TPP had assured US dairy farmers about 3.25 percent of the Canadian dairy market, and USMCA Annex 3-B raised the figure to 3.59 percent, worth about $600 million. As part of the bargain, the Canadian Class 7 milk category, devised to reduce US exports to Canada of milk powder and milk protein, will be abolished. In exchange for the package of Canadian dairy concessions, the United States will modestly liberalize US barriers on processed peanut and sugar products. A far cry from free trade, these assorted changes leave intact Canadian supply management for dairy, a program that enriches farmers by making Canadians pay far more for milk, yogurt, cheese, and ice cream than their American neighbours. Nevertheless, because of the changes, the Canadian federal government may offer adjustment assistance to the dairy industry in advance of the 2019 federal election.

In Chapter 7, Mexico agreed to a US$50 de minimis tax-free threshold for small parcels crossing the border, and a US$117 threshold for tariff-free and simple customs forms. Canada agreed to a C$40 (US$31) tax-free threshold (up from C$20), and a C$150 (US$117) threshold for tariff-free and simple customs forms. The tariff-free provisions are redundant, considering zero tariffs are agreed on nearly all North American trade, but simple customs forms are critical for online sales. The United States committed to maintain a $100 threshold for tax-free, tariff-free, and simple customs forms, but the US statutory de minimis threshold is $800, one of the world’s highest, and not likely to be lowered. Brick-and-mortar retailers in Vancouver, Toronto, and Montreal fear competition from Amazon, eBay, and other US online retailers, and energetically resisted a higher Canadian de minimis level.
As a small coda to dairy and de minimis liberalization, Side Letter 6 on wine ensures that British Columbia grocery stores will display US wines on their regular shelves, alongside BC wines, instead of in back room shelves.

Chapter 19 on digital trade, Chapter 21 on competition policy, and Chapter 22 on state-owned enterprises, all drawn from the TPP, usefully modernize NAFTA. Chapter 19 goes beyond the TPP by protecting algorithms as well as source codes, and (as in TPP) frees digital commerce from customs duties or localization of servers. Chapter 21 provides hortatory guidelines both for curbing anti-competitive behaviour and for ensuring fair process in local court proceedings. Since the chapter is insulated from dispute proceedings, it has no binding effect. Chapter 22 enunciates detailed standards for state-owned enterprises (SOEs) and monopolies, in an effort to conform their operations to commercial norms. SOEs and monopolies are not major features of the US or Canadian economies, but they do play a significant role in Mexico (Pemex, CFE, and others). Even if Chapter 22 has limited practical consequences in North America, it will serve as a template for future trade agreements.

Chapter 20 contains a life-of-creator-plus-70-years term for copyright protection, or a term of 75 years in case of group creation (as with most films), substantially longer terms than the 50-year period agreed in the TPP. The same chapter also calls for a data exclusivity period of 10 years for biologic drugs, longer than the 5 to 8 years agreed in TPP. Exclusivity applies to test data that demonstrates the safety and efficacy of a new drug, typically gathered at a cost of several hundred million dollars. The exclusivity period delays competition from generic firms which can avoid substantial testing costs when they piggyback on the test results of brand-name pharmaceuticals. Other provisions in Chapter 20 bolster enforcement of patent, copyright, trademark, and trade secret protection.

Chapter 23 on labour and Chapter 24 on the environment restate obligations negotiated in the TPP. Chapter 23 requires countries to observe the International Labour Organization’s Fundamental Principles and otherwise upgrade their labor standards; Chapter 24 calls for best efforts to implement Multilateral Environmental Agreements and otherwise improve the environment. Both chapters are principally aimed at Mexico.

Other aspirational chapters, inspired by the TPP, fill many pages of the USMCA: Chapter 25 on small and medium-sized enterprises; Chapter 27 on anticorruption; and Chapter 28 on good regulatory practices.

Chapter 33 on macroeconomic policies and exchange rate matters, also inspired by the TPP, represents a significant advance over NAFTA, but with greater force as a template for other countries than for North America. Countries are obligated to consult on their broad economic policies and not to manipulate their exchange rates. While the only enforceable provision deals with data transparency, the chapter marks a major evolution in trade agreements.

In sum, there are modest benefits for consumers in several of the provisions, and some strengthening of intellectual property protections which might promote more investment in intangible capital.
The path ahead

Phasing out Section 232 tariffs on steel and aluminum—probably replacing them with quotas—and repealing the Canadian and Mexican retaliatory measures are high priorities as negotiations continue through October and November 2018. Another priority is to decide what becomes of NAFTA. Chapter 34 of the new agreement, which outlines procedures for USMCA entering into force, review of the agreement, and potential withdrawal, has a blank and an asterisk on the key question of NAFTA’s future. It could be terminated completely; it could live on between Mexico and Canada; or select chapters could live on even for the United States.

The three political leaders are scheduled to sign the USMCA on November 29 or 30, 2018. Thereafter, ratification of USMCA in Mexico is all but assured, given that only the Senate votes and AMLO’s coalition controls 68 of the 128 seats. Ratification in Canada is equally assured, since Prime Minister Trudeau’s Liberals hold 184 of the 338 seats in Parliament. But uncertainty arises over ratification by both houses of the US Congress, considering statutory timelines and Washington politics.

Once the agreement is signed, the Trump Administration can trigger the ratification process by starting the 90-session-day Congressional clock under Trade Promotion Authority. When an implementing bill has been agreed between the Administration and the Congress, the House and Senate must vote within the 90-day window to ratify or reject the implementing legislation with an up-or-down (i.e., yea or nay), no-amendment vote. Meanwhile, starting from the publication of the USMCA text on September 30, 2018, the US International Trade Commission has up to 105 calendar days to assess the economic impact of the new agreement. Given its complexity, the USITC will need all the time allowed. Moreover, as a practical matter, powerful members of Congress of both parties will review the agreement with a fine-toothed comb, and have their say in drafting implementing legislation and tweaking the text of the agreement or adding side letters. Together, these timelines and practicalities mean that US Congressional debate will not begin until February 2019, and the pact may not be voted on until the end of March 2019.

If, as seems likely at the time of this writing, Democrats win the majority of House seats, President Trump will face an uphill battle to secure ratification. The president will likely prevail with a combination of juicy carrots and big sticks. Democrats harbour enormous pent-up anger at President Trump and Congressional Republicans. They loathe the Tax Cut and Jobs Act (TCJA) of 2017 for its distributional consequences. They seethe over the confirmation of Brett Kavanaugh to the Supreme Court. They detest Trump’s proposed wall along the Mexican border and his anti-immigrant policies.

In addition to their abiding opposition to Trump, Democrats have already signaled disapproval of the new labour and environmental provisions in the USMCA. Specifically, they contend that dispute settlement in Chapter 30 is not sufficiently robust to enforce the labour norms of Chapter 23 and the environment norms of Chapter 24. Under Chapter 30, countries can block the formation of panels, and create other obstacles, while the Chapter 23 and 24 norms have too many “should’s” and not enough “shall’s,” in the view of Democrats, to ensure strong compliance.

In the Washington environment of 2019, there will be no Democrat reservoir of goodwill.
towards President Trump’s trade agreements, whether with Mexico and Canada, or with Japan, or even with small countries in Asia or Africa. Each pact will be evaluated considering the Congressional representative’s or Senator’s ideology, constituent interests, and whatever carrots Trump is willing to offer. All this means that ratification of the USMCA will be an uphill battle.

Trump can probably offer carrots in the form of new side letters or annexes to answer Democrat complaints about labour, environment and dispute settlement. Moreover, the president has abundant favors at his disposal in the form of federal offices and public expenditures. In addition, the president has three big sticks—sources of leverage against reluctant Democrats. First, he can carry out his repeated threat to withdraw from NAFTA. Second, he can double-down by threatening to leave the Canada-US Free Trade Agreement of 1988. And third, he can draw on other statutes, such as Section 232 of the Trade Expansion Act of 1962, or Section 301 of the Trade Act of 1974, to impose tariffs on assembled autos, auto parts, and a host of other products.

To summarize, Trump can threaten trade chaos with Mexico and Canada if Congress fails to ratify his new agreement. Damage to the overall American economy would be significant, but of greater political importance would be damage to the US border states which are most heavily engaged with cross-border trade and investment. At the end of the day, by a combination of juicy carrots and big sticks, Trump can likely round up enough votes to ratify the USMCA.

References


“Carrier [US air conditioning company] is moving to Mexico... I would go right now to Carrier and I would say ... You’re going to make air conditioners now in Mexico [and] 1400 people ... are being laid off [in the US]... You’re going to make air conditioners in Mexico, you’re going to put them across our border with no tax. I’m going to tell them right now... we’re going to tax you when those air conditioners come. So stay where you are or build in the United States because we are killing ourselves with trade pacts that are no good for us and no good for our workers.”

March 12, 2016. Tweet from Donald J. Trump: https://twitter.com/realdonaldtrump/status/708647560399949825

“Absentee Governor Kasich voted for NAFTA and NAFTA devastated Ohio—a disaster from which it never recovered. Kasich is good for Mexico!”

May 17, 2016. Tweet from Donald J. Trump: https://twitter.com/realdonaldtrump/status/732576889538260992

“How can Crooked Hillary put her husband in charge of the economy when he was responsible for NAFTA, the worst economic deal in U.S. history?”


“Hillary Clinton unleashed a trade war against the American worker when she supported one terrible deal after another, from NAFTA, to China, to South Korea... A Trump administration will end that war by getting a fair deal for the American people and the American worker. The era of economic surrender will finally be over. I’m going tell our NAFTA partners that I intend to immediately renegotiate the terms of that agreement to get a better deal for our workers. And I don’t mean just a little bit better, I mean a lot better. If they do not agree to a renegotiation, then I will submit notice under Article 2205 of the NAFTA agreement that America intends to withdraw from the deal.”


“I pledge to never sign any trade agreement that hurts our workers or that diminishes our freedom or our independence.


“NAFTA is the worst trade deal maybe ever signed anywhere but certainly ever signed in this country.”

*The authors thank Euijin Jung, Research Analyst at the Peterson Institute, for preparing this appendix.

“I had a very good meeting with the president of Mexico. Very nice man. We will be doing very much better with Mexico on trade deals. Believe me. The NAFTA deal signed by her [Hillary Clinton’s] husband is one of the worst deals ever made of any kind, signed by anybody. It’s a disaster.”


“I will renegotiate NAFTA. If I can’t make a great deal, we’re going to tear it up. We’re going to get this economy running again.”

January 26, 2017. Tweet from Donald J. Trump: https://twitter.com/realdonaldtrump/status/824615820391305216

“The U.S. has a 60 billion dollar trade deficit with Mexico. It has been a one-sided deal from the beginning of NAFTA with massive numbers...”


“I’ve also followed through on my campaign promise and withdrawn America from the Trans-Pacific Partnership—(applause)—so that we can protect our economic freedom. And we are going to make trade deals, but we’re going to do one-on-one, one-on-one. And if they misbehave, we terminate the deal. And then they’ll come back, and we’ll make a better deal. (Applause.) None of these big quagmire deals that are a disaster. Just take a look—by the way, take a look at NAFTA, one of the worst deals ever made by any country having to do with economic development. It’s economic undevelopment as far as our country is concerned.”

April 27, 2017. Tweet from Donald J. Trump: https://twitter.com/realdonaldtrump/status/857555256003227648

“...subject to the fact that if we do not reach a fair deal for all, we will then terminate NAFTA. Relationships are good–deal very possible!”

August 27, 2017. Tweet from Donald J. Trump: https://twitter.com/realDonaldTrump/status/901804388649500672

“We are in the NAFTA (worst trade deal ever made) renegotiation process with Mexico & Canada. Both being very difficult, may have to terminate?”


“We have to protect our workers, and in all fairness, the Prime Minister wants to protect Canada and his people also. So we’ll see what happens with NAFTA, but I’ve been opposed to NAFTA for a long time... I think Justin understands this: If we can’t make a deal, it’ll be terminated, and that will be fine. They’re going to do well; we’re going to do well. But maybe that won’t be necessary. But it has to be fair to both countries.”

“We’re renegotiating NAFTA now. We’ll see what happens. I may terminate NAFTA.” “A lot of people are going to be unhappy if I terminate NAFTA. A lot of people don’t realize how good it would be to terminate NAFTA because the way you’re going to make the best deal is to terminate NAFTA. But people would like to see me not do that.”

January 18, 2018. Tweet from Donald J. Trump: https://twitter.com/realdonaldtrump/status/953951365532876800

“The Wall will be paid for, directly or indirectly, or through longer term reimbursement, by Mexico, which has a ridiculous $71 billion dollar trade surplus with the U.S. The $20 billion dollar Wall is ‘peanuts’ compared to what Mexico makes from the U.S. NAFTA is a bad joke!”


“We had a horrible deal. The deal was a horrible deal. NAFTA’s a horrible deal, we’re renegotiating it. I may terminate NAFTA, I may not—we’ll see what happens. But NAFTA was a—and I went around and I tell stadiums full of people, I’ll terminate or renegotiate.”

March 5, 2018. Tweet from Donald J. Trump: https://twitter.com/realdonaldtrump/status/97062696604162560

“We have large trade deficits with Mexico and Canada. NAFTA, which is under renegotiation right now, has been a bad deal for U.S.A. Massive relocation of companies & jobs. Tariffs on Steel and Aluminum will only come off if new & fair NAFTA agreement is signed...”

April 1, 2018. Tweet from Donald J. Trump: https://twitter.com/realdonaldtrump/status/98045155548491777

“Mexico is doing very little, if not NOTHING, at stopping people from flowing into Mexico through their Southern Border, and then into the U.S. They laugh at our dumb immigration laws. They must stop the big drug and people flows, or I will stop their cash cow, NAFTA. NEED WALL!”


“The economy is doing perhaps better than ever before, and that’s prior to fixing some of the worst and most unfair Trade Deals ever made by any country. In any event, they are coming along very well. Most countries agree that they must be changed, but nobody ever asked!”

“They’re the geniuses who came up with our terrible trade deals one after another, how about NAFTA, remember when they signed NAFTA? ... Remember they signed NAFTA and everybody just moved their companies down to Mexico and these people were saying, ‘Isn’t that a wonderful thing?’ No, it’s not a wonderful thing and those companies are now moving back.”

August 10, 2018. Tweet from Donald J. Trump: https://twitter.com/realdonaldtrump/status/1028056640422068225

“Deal with Mexico is coming along nicely. Auto-workers and farmers must be taken care of or there will be no deal. New President of Mexico has been an absolute gentleman. Canada must wait. Their Tariffs and Trade Barriers are far too high. Will tax cars if we can’t make a deal!”

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“I think with Canada, frankly, the easiest thing we can do is to tariff their cars coming in. It’s a tremendous amount of money and it’s a very simple negotiation. It could end in one day and we take in a lot of money the following day. But I think we’ll give them a chance to probably have a separate deal. We can have a separate deal or we can put it into this deal. I like to call this deal the United States–Mexico Trade Agreement. I think it’s an elegant name. I think NAFTA has a lot of bad connotations for the United States because it was a rip-off. It was a deal that was a horrible deal for our country, and I think it’s got a lot of bad connotations to a lot of people. And so we will probably—you and I will agree to the name.”

August 28, 2018. Tweet from Donald J. Trump: https://twitter.com/realdonaldtrump/status/1034626683066826753

“Our new Trade Deal with Mexico focuses on FARMERS, GROWTH for our country, tearing down TRADE BARRIERS, JOBS and having companies continue to POUR BACK INTO OUR COUNTRY. It will be a big hit!”

September 1, 2018. Tweet from Donald J. Trump: https://twitter.com/realdonaldtrump/status/103590824277376001

“Remember, NAFTA was one of the WORST Trade Deals ever made. The U.S. lost thousands of businesses and millions of jobs. We were far better off before NAFTA—should never have been signed. Even the Vat Tax was not accounted for. We make new deal or go back to pre-NAFTA!”

September 1, 2018. Tweet from Donald J. Trump: https://twitter.com/realdonaldtrump/status/1035905988682018816

“There is no political necessity to keep Canada in the new NAFTA deal. If we don’t make a fair deal for the U.S. after decades of abuse, Canada will be out. Congress should not interfere w/ these negotiations or I will simply terminate NAFTA entirely & we will be far better off...”
The United States–Mexico–Canada Agreement: Overview and Outlook

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October 1, 2018. Tweet from Donald J. Trump: https://twitter.com/realdonaldtrump/status/104670836407685122

“Late last night, our deadline, we reached a wonderful new Trade Deal with Canada, to be added into the deal already reached with Mexico. The new name will be The United States Mexico Canada Agreement, or USMCA. It is a great deal for all three countries, solves the many ......”

https://twitter.com/realdonaldtrump/status/104671471268622336

“.... deficiencies and mistakes in NAFTA, greatly opens markets to our Farmers and Manufacturers, reduces Trade Barriers to the U.S. and will bring all three Great Nations together in competition with the rest of the world. The USMCA is a historic transaction!”

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