

NAFTA renegotiation – USTR objectives provide a brighter outlook

July 17, 2017

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- The Office of the US Trade Representative (USTR) just published its renegotiation objectives for NAFTA
- Despite the objectives' aim to reduce the US trade deficit with NAFTA countries, the document explicitly states that no tariffs or quotas will be imposed in the agricultural and industrial sectors...
- ...and just mentions updating rules of origin and incorporating new chapters (*i.e.* digital trade) and parallel agreements, in line with our expectations
- The discussions focused on the following topics:
 - (1) It would seek to improve US market entry in sectors that were not previously regulated by NAFTA, such as telecommunications, financial services, and energy;
 - (2) The proposal includes strengthening the rules of origin to ensure that the benefits of NAFTA go to products genuinely made within the member countries;
 - (3) The proposal also seeks to limit the subsidies granted to state-owned enterprises, promoting competition;
 - (4) Eliminate Chapter 19 of the present treaty, which details the mechanisms for the settlement of antidumping and countervailing duties
 - (5) By eliminating Chapter 19, the proposal seeks to establish a dispute settlement mechanism that is effective, timely, and transparent
 - (6) Bring the environmental provisions into the core of the Agreement, establishing rules to ensure that NAFTA countries do not fail to effectively enforce their environmental laws
 - (7) Ensure accelerated and full implementation of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights
 - (8) Facilitation of customs procedures
- The central goal of these measures is to reduce the US trade deficit with the NAFTA countries. We believe that this will probably be achieved by strengthening the rules of origin, as this would oblige member countries to use domestically produced inputs intensively.
- These objectives will be discussed tomorrow in the House of Representatives Ways and Means Committee
- Given that the Office of the United States Trade Representative delivered its notification to Congress of intention to begin negotiations on May 18, the negotiations between the three countries will begin after August 16
- All in all, we consider this proposal as feasible, which will probably be agreed by the member countries with minor modifications

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- **Additionally, taking into account political incentives (July 2018 in Mexico and November 2018 in the US), we consider that the negotiations will conclude before February of next year, with a signature of the new agreement before May 2018**

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