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Trump Administration Notifies Congress It Plans To Renegotiate NAFTA

On May 18, 2017, President Trump followed through on a controversial campaign promise by officially notifying Congress that he plans to renegotiate the North American Free Trade Agreement (NAFTA). The announcement does not come as a surprise, given that a draft letter about renegotiating NAFTA was sent to members of Congress in March. That letter appeared to soften the president's stance on NAFTA by retaining much of the existing agreement with Mexico and Canada.

Although the official notice from U.S. Trade Representative Robert Lighthizer does not provide the same level of detail as the draft letter, it does mention the necessity to update and modernize the agreement on such issues as intellectual property rights, regulatory practices, state-owned enterprises, services, customs procedures, sanitary and phytosanitary measures, labor, environment, and small and medium enterprises. The announcement also reasserts the administration's goal to continue "aggressive enforcement" of the commitments made by trading partners. The official notice does not mention the adjustment of tariffs or changes to tax issues in NAFTA that were included in the draft letter and have been a significant issue for President Trump.

The reasons provided for updating NAFTA appear to be very similar to updates that NAFTA members had already agreed upon in the Trans-Pacific Partnership (TPP) and thus are unlikely to raise issues with Mexican or Canadian trade officials. The president withdrew the United States from the TPP trade agreement in January.

What This Means to You

The official notice appears to be a further softening of the tough talk on trade and the president's potential threat of withdrawing from NAFTA. However, given the numerous statements from the president, there is still significant potential for uncertainty and disruption in many businesses' supply chains and markets. It is also unclear how the administration's decisions to self-initiate its Section 232 cases on steel and aluminum could impact the renegotiations of NAFTA.

Contact Us

For more information on how renegotiation of NAFTA may impact your business, or for advice on how to ensure your concerns are addressed in the negotiations, please contact Jeffrey S. Neeley, Cortney O'Toole Morgan, Robert D. Stang, Linda K. Tiller or Grant D. Leach of Husch Blackwell's International Trade & Supply Chain team.