

Trading Up For Better Profits: Why NAFTA Matters to YOU!

CACI is closely watching the most recent round of trade talks with Canada and Mexico – on your behalf! On January 23rd, President Trump’s trade team, led by U.S. Trade Representative Robert Lighthizer, will begin the sixth and potentially most important round of negotiations with our closest allies and economic partners to update NAFTA, the North American Free Trade Agreement.

The U.S. trade team is looking at three major priorities: for value to be added to U.S. products, to eliminate investor-state trade disputes being handled by a panel, and to update NAFTA to reflect e-commerce and trading which didn’t exist when NAFTA was first negotiated.

“This update is an important next step in ensuring that the American people continue to know what the Trump Administration is seeking to achieve in a renegotiated NAFTA. If we are able to achieve these objectives, we will both modernize and rebalance NAFTA to better serve the interests of our workers, farmers, ranchers and businesses.” – U.S. Trade Ambassador Lighthizer

More specifically, trade negotiators will look for value to be added to North American products in the form of preferential treatment for certain products and product chains, particularly because U.S. manufacturers rely on complex supply chains for components and raw materials. Negotiators will also be looking for constructive ways to eliminate NAFTA’s investor-state dispute settlement mechanism, which relies on a panel of countries (not necessarily friendly to the U.S.) to mediate trade disputes. And lastly, for any final NAFTA agreement to recognize e-commerce as a “new” and rapidly growing industry, and looking to continue that growth by providing tax-free rates for e-commerce purchases.

After negotiations among the three nations are complete (there’s still X more rounds to go), U.S. trade delegates will present a renegotiated NAFTA to President Trump.

What follows next? A brief overview:

- **A friendly “heads up” to educate lawmakers:** The Trump Administration must submit a report to Congress re: any implied changes the new NAFTA agreement makes to U.S. law -- exactly 180 *legislative* days before a final NAFTA deal may be signed by the President.
- **Official notice to Congress:** The Administration must notify Congress *and* simultaneously submit all details of the NAFTA agreement to the International Trade Committee (ITC) 90 days prior to the President signing the new NAFTA.

- **Economic Analysis:** The ITC must then do an economic analysis at least 105 days before Congress takes up NAFTA as legislation.
- **Congress must approve the trade agreement:** The Presidentially-approved NAFTA agreement must start in the House Ways and Means Committee for a vote and if passed, move to the House floor for a full assembly vote. The Senate then has 30 days to vote on the NAFTA bill approved by the House.

Despite this intense schedule, both Canada and Mexico must address any new NAFTA agreement through similar channels and there is always risk of political hurdles unrelated to the negotiated agreement. Regardless of those hurdles, **Canada and Mexico are by far the most important export markets for Colorado manufacturers, with Canada making up 23% of the export market and Mexico 10%.** Additionally, many of Colorado's advanced manufacturers rely on complex global supply chains, where tariffs on Canadian and Mexican goods and services means smaller profit margins, higher prices, and reduced competitiveness for businesses here in Colorado.

As domestic and international policies evolve for NAFTA, CACI remains focused on fostering a pro-trade and pro-business environment to keep Colorado manufacturers competitive. For any questions about NAFTA, please contact CACI's Director of Federal Policy, Leah Curtsinger, at LCurtsinger@COchamber.com or call (303) 866-9641.