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Here are some key differences between Trump's new trade deal and NAFTA

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- **There are some key differences, however, particularly when it comes to the dairy and auto industries.**
- **The updated agreement, the subject of more than a year of intense negotiations between the three countries, includes some high-profile compromises from both Washington and Ottawa.**

John W. Schoen

Video **…………** https://www.cnbc.com/video/2018/10/01/inside-the-new-us-mexico-canada-trade-deal-that-replaces-nafta-trade-war-tariffs-trump-usmca.html

The Trump administration's new trade deal with Canada and Mexico leaves much of the old North American Free Trade Agreement intact. There are some key differences, however, particularly when it comes to the dairy and auto industries.

The updated agreement, the subject of more than a year of intense negotiations between the countries, includes some high-profile compromises from both Washington and Ottawa.

The U.S., for example, won expanded access to Canadian markets for U.S. dairy producers, long a major sticking point for the Trump administration. For its part, Canada won a key concession from U.S. negotiators that preserved a dispute resolution process.

The updated agreement also includes key provisions governing the auto industry that will encourage more U.S. car production while protecting Canadian and Mexican companies from President Donald Trump's threats of wider U.S. tariffs.

Here's a quick look at key provisions:

- **It will require 75 percent of auto components to be built in North America, up from 62.5 percent.**
- **Forty to 45 percent of auto components will have to be made by laborers making at least $16 an hour.**
- **In a concession to Mexican and Canadian business, the deal largely exempts passenger vehicles, pickup trucks and auto parts from possible Trump administration tariffs.**
- **U.S. farmers are getting slightly more access to Canadian dairy markets.**

Trump had long threatened to scrap the deal in full, so the changes and the rebranding offered the president a chance to laud the deal as a promise fulfilled.

"Throughout the campaign, I promised to renegotiate NAFTA, and today we have kept that promise," Trump said Monday in announcing the deal. Later in the day, he pushed back on the notion that it's merely an updated version of the previous pact.

"It's not NAFTA redone. It's a brand-new deal," the president said during a news conference in the White House Rose Garden.

The deal is subject to approval by Congress.

A question of impact

The sweeping agreement includes hundreds of pages, covering thousands of individual products. While the updated provisions will have an impact on the specific companies or industries covered, the updated agreement is expected to have little overall economic impact.

"My expectation all along was that there would be few major changes and NAFTA would go from being one of the worst deals ever to the one of the best," said Jim O'Sullivan, an economist at High Frequency Economics.

One of the biggest changes to the deal involves the name: Trump insisted the three countries use the name United States-Mexico-Canada Agreement, or USMCA, replacing NAFTA.

"It's a good day for Canada," Prime Minister Justin Trudeau told reporters after a late-night Cabinet meeting to discuss the deal.

In a joint statement, Canada and the United States said it would "result in freer markets, fairer trade and robust economic growth in our region."

The global financial markets also like the deal, largely because it removed the prospect of an all-out trade war between the U.S. and two of its biggest trading partners.

"The bigger issue is the positive impact on confidence and sentiment," O'Sullivan said.

During the 2016 presidential campaign, Trump promised to rewrite NAFTA or leave the trade deal altogether.

Canada was initially left out of the deal when the U.S. and Mexico reached an agreement last month to revamp NAFTA. On Aug. 31, the Trump administration officially notified Congress of the deal with Mexico. That created a 90-day deadline that would allow outgoing Mexican President Enrique Pena Nieto to sign the updated agreement before he leaves office Dec. 1.

Autos

The most important provisions, in dollar terms, cover the auto industry, which has come to rely on a complex cross-border supply chain that moves billions of dollars' worth of parts and components to factories located in all three countries. Trump's threats to revoke NAFTA entirely could have added substantial costs to that supply chain, raised showroom car prices or left some models unprofitable to manufacture.

While the USMCA avoids tariffs, it will make it harder for global automakers to build cars cheaply in Mexico and is aimed at bringing more jobs into the United States.

In August, Mexico agreed to provisions that would require that 40 to 45 percent of a car's parts and assemblies be built in countries where auto workers earn at least $16 an hour in order for a carmakers to qualify for NAFTA's duty-free benefits.

In a concession to Mexican and Canadian companies, the final agreement hammered out Sunday largely exempts passenger vehicles, pickup trucks and auto parts from possible Trump administration tariffs.

If Trump imposes so-called Section 232 autos tariffs on national security grounds, Mexico and Canada would each get a tariff-free annual quota of 2.6 million passenger cars for export to the United States. That's well above their current export levels.

Pickup trucks built in both countries will be exempted entirely. If the U.S. does impose tariffs, Mexico will also get an auto parts quota of $108 billion a year, while Canada will get a parts quota of $32.4 billion annually.

The deal sets a five-year transition period after the agreement enters into force for the regional value content requirement for autos to increase to 75 percent, from the current 62.5 percent. The pact also requires that vehicle manufacturers source at least 70 percent of their steel and aluminum from within the three countries.

Dairy

Trump's biggest talking point – better access to Canadian markets for U.S. American dairy farmers – will likely to have the least impact, in dollar terms.

Canada reportedly agreed to give U.S. dairy farmers access to about 3.5 percent of its roughly $16 billion annual domestic dairy market. Under the deal, the Canadian government will be allowed to compensate dairy farmers hurt by the deal.

Canada had agreed to open up wider access to dairy markets under the proposed Trans-Pacific Partnership, which Trump withdrew from in January 2017. Trump administration officials say the new USMCA widens U.S. access to Canada's dairy market beyond TPP levels.

For its part, Canada won a key concession from the U.S., which agreed to preserve a trade dispute process that Ottawa pushed hard to maintain. Canada relies on the settlement process to protect its lumber producers from anti-dumping tariffs imposed by the U.S.

The new agreement does limit the settlement process involving investor disputes to sectors that are dominated by state-run firms, including energy, telecom and infrastructure companies.