THE USMCA PLAY
NAFTA NEXT PILLARS

1. TIMING & TEMPO
2. TONE AND TENOR
3. TARGETS AND TOPICS

and ... Tariffs
THE PILLARS OF TRADE IN 2019

The Three Ps

1. PRESIDENT
2. POLITICS
3. POLICY

How do we Plan / Prepare?
THE PILLARS OF TRADE IN 2019
POLICY

1. USMCA
2. Section 232 Steel and Aluminum
3. Section 301 (China)
4. Section 232 Autos
5. Japan and EU
THE PILLARS OF TRADE IN 2019
Policy

But don’t forget . . .

ENFORCEMENT AGENDA

AD/CVD
SAFEGUARDS
WTO “REFORM”
IMMEDIATE REACTION
“USMCA as a Safe Harbor”

1. US WIN-WIN-WIN-WIN
2. CANADA SURVIVED
3. MEXICO BUSINESS AS USUAL?
INITIAL NARRATIVE
“The Rs”

• RIP IT UP?

RENOVATE

• REBRAND?
1. Templates ("Fresh Coat of Paint")

2. Modernize ("Upgrade the Fixtures and Appliances")

3. Rebalancing ("Knocking Down Walls")
Interlude
Policy in the USMCA

PRIORIT#1 Close the Back Door to China through Mexico and Canada

PRIORIT#2 Rebalance Trade with Mexico
Interlude
Policy in the USMCA

PRIORITY #1 Close the Back Door to China through Mexico and Canada
• Auto ROO w/ metals & components
• Dispute Resolution (Chapters 20 & 19)
• Sunset
• Government Procurement
• Non-Market Economies, SOEs, Currency
Interlude
Policy in the USMCA

PRIORITY #2 Rebalance Trade with Mexico

- Auto ROO w/ labor value content
- Investment (Chapter 11)
- Labor
- Textiles
Interlude
Policy in the USMCA

• The issues addressed in USMCA leave open the “behind the border” issues that most Canada-US companies face.

• Disruption/Creation will be at state/provincial/local levels

• The USMCA Play is for states/provinces to “return” to Canada-US exceptionalism/exemptionalism
The USMCA Play-Infrastructure

• Procurement left largely the same in USMCA.
• Buy American, Hire American is Coming
• Infrastructure Needs Increasing
• Budgets are Flat
• X-border funding (pensions), expertise, and ABC/AEC firms expanding
The USMCA Play-Infrastructure

State-Provincial “Neighboring State-Province Agreements”
- Reciprocal Access to Procurement Markets
- Critical that reflected on the procurement forms (check the box if Canada/US)
- Regional (Pac-NW, Great Lakes, Southeast)
The USMCA Play—Professionals & Workforce

• USMCA kept the NAFTA business/professional immigration system intact.

• State/Provincial challenge for immigration/professionals is licensing requirements.

• Need mutual recognition of credentialing/licensing in certain sectors
The USMCA Play-Professionals & Workforce

- Workforce programs EVERYWHERE. Let’s incorporate Canada-US now instead of going back later.
- Labor Involvement Needed
- Durational element / project specific
The USMCA Play-Regulatory Alignment

- USMCA incorporates good regulatory practices.
- Standards are moving rapidly due to changing economy.
- Areas of Canada-US collaboration on autonomous, aquaculture, aerospace/drones
The USMCA Play-Regulatory Alignment

• Behind the border issues are the biggest disincentive to x-border trade and investment.
• Government officials as convening authority/listening.
• Private sector managed secretariat/clearing house.
• Example is x-border health/life sciences corridors.
The USMCA Play - Next Steps

• Projects (infrastructure)
• People (professionals and workforce) &
• Procedures (regulatory alignment)
  – Convene and Listen
  – Inventory the Work Being Performed to Date
  – Honest Conversation about what is needed in Canada-US
  – Structure It!
TIMELINES

Timeline and Requirements for Trade Agreements Under TPA-2015 Legislation

Negotiations Begin
- Before entering into Agreement: Notification to Congress, and public notice of the signing of the agreement as required by Section 201(a)(2).

Agreement Signed
- 30 Days Before Entering into Agreement: Notification to Congress, and public notice of the signing of the agreement.
- 60 Days Before Entering into Agreement: Publication of the text of the agreement on USTR website.
- 100 Days Before Entering into Agreement: Submission of report to Congress, and public notice of the signing of the agreement.
- 105 Days After Entering into Agreement: Deadline for ITC report assessing the agreement.

Implementing Bill Introduced in House and Senate (no deadline)
- 45 Days After Submission of Implementing Bill: Ways and Means Committee must report bill, or automatic discharge.
- 30 Days Prior to Entry into Force: Submission of implementing bill.
- 15 Days Thereafter: Senate Finance must report bill, or automatic discharge.

Congressional Consideration of Agreement
- 15 Days Thereafter: Senate Finance must report bill, or automatic discharge.

Also required by TPA-2015, under Section 3(d), titled “Other Reports:”
1. REPORT ON PENALTIES: not later than one year after imposition of a penalty or remedy to which this Act applies, the President shall submit to the House Ways and Means and Senate Finance Committees a report on the effectiveness of the penalty or remedy applied, including its effectiveness and any adverse consequences on persons or interests not party to the dispute, and
2. REPORT ON IMPACT OF TRADE PROMOTION AUTHORITY: not later than one year after date of amendment, and not later than five years thereafter, the USTR shall submit to House Ways and Means and Senate Finance Committees a report on the economic impact of all trade agreements with respect to which Congress has enacted an implementing bill under trade authorizations procedures since January 1, 1984.
TPA-PHASES I-II

I. Pre-Negotiation (Jan.-July 2017)
   – Notice to Congress (March 2017)
   – Confirmation of USTR Lighthizer (May 2017)
   – 90 Day Notice (May 2017)
   – 30 Day Statement of Objectives (July 2017)

II. Negotiations (August 2017-Nov. 30, 2018)
   – Consultations w/ Congress (October 2017 then Jan. 2018)
   – Notices of Sensitive Areas (September to March)
   – Disapproval Resolutions
TPA-Phase II “Agreement”

Agreement (In Principle) = “Handshake”

– 90 Days Request ITC Assessment (by 105 days after Agreement signed)

– 90 Days Prior to Agreement Notify Congress (August 31, 2018)
  • 60 Days Prior to Agreement Post the Text (Sept. 30/October 1)

THEN THE AGREEMENT IS SIGNED

Nov. 30, 2018
TPA-PHASE III

III. Agreement Signed:

• 60 days – Description of US Laws that Need to Be Changed

• 105 days – ITC Report Due (Nov. 15 / Dec. 20)

• 30 days before Implementing Bill - Draft statement of administrative action, final legal text


No Firm Dates – THIS IS THE GREY AREA!!!
TPA-PHASE IV

IV. Ratification

- “FAST TRACK” – Maximum of 90 Days in Session

THE PROCEDURAL CALENDAR IS CLOSED IN 2018
Spring 2019
NAFTA 2018 Implementation process in U.S.

- Aug 31, 2018: DT notified to U.S. Congress his intention to sign an Agreement with Mexico, and – if possible- with Canada
- Oct 1, 2018: USTR publish full text of agreement in website
- Nov 30, 2018: Agreement Signed
- Jan 30, 2019: USTR’s deadline to report Congress on the changes to U.S. law that are required to comply with agreement
- March 15, 2019: ITC’s deadline to submit study of agreement’s economic impact
Negotiations Begin 60 days prior to signature
Agreement Signed in U.S. Congress

90 days prior to negotiations
President notifies Congress of intent to enter into negotiations

30 days prior to negotiations
President publishes negotiating objectives

Agreement Introduced in U.S. Congress

Final votes within 90 session days
The House must vote within 60 days and then the Senate must vote within 30 days

Senate consideration
Senate Finance must vote on bill within 15 session days of House; full Senate within 15 days of Committee

House consideration
House Ways & Means must vote on bill within 45 session days; then full House must vote within 15 session days of Committee

90 days prior to signature
President reports to Congress on potential changes to US trade remedy laws

105 days after signature
ITC must complete study of agreement’s economic impact

90 days prior to signature
President notifies Congress of intent to enter into agreement

60 days prior to signature
President publishes full text of agreement on the internet

60 days after signature
President reports to Congress on the changes to U.S. law that are required to comply with agreement

30 days before introduction
President must submit final text of agreement to Congress

Next steps: TPA 2015

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Momento actual
Turning the Rust Belt red

Donald Trump flipped many counties to the red Republican side. Even where Trump lost, he often did better than Mitt Romney fared in 2012. Here's how this played out in Michigan, Ohio, Pennsylvania and Wisconsin based on the margin of vote percent between Trump and Hillary Clinton.

- Margin 30 points or more better for Trump than Romney
- Margin 20 to 30 points better for Trump than Romney
- Margin 10 to 20 points better for Trump than Romney
- Margin up to 10 points better for Trump than Romney
- Margin better for Romney than Trump

Rich Exner, cleveland.com

NORTH AMERICAN FREE TRADE AGREEMENT

NAFTA
POLITICS

• Ontario Provincial Elections June 7, 2018
• Mexico National Elections July 1, 2018 (Lameduck up to Sept.)
• US Primary elections – TX and IL in March, May/June (incl. Ohio, SC, W. VA), August (incl. MI, WI, MN, AZ, FL)
• Quebec Elections – October 1, 2018
• US Elections Nov. 6, 2018
• CDN Federal Elections in 2019

NAFTA
NORTH AMERICAN FREE TRADE AGREEMENT
POLITICS

- Mexico then US then Canada
- 85-110 Votes Short in US Congress
  - Will there be enough oxygen in the Swamp for any vote on trade
  - Democrats put their stamp on the deal / Trump Win
    - Labor, Climate Change, Immigration, Services?
    - Republican strategy to “Flood the Zone”
  - Business / Labor Mobilization
- Canada?
Status Quo No

9/11
WHTI passed
STATUS QUO MYTH

• CPTPP and CETA
• WTO Reform
• Steel and Aluminum Tariffs
• China Tariffs
• Section 232 Auto Tariffs
• Buy American, Hire American (Infrastructure)