

GOVERNMENT

US, Mexico reach preliminary trade agreement

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The deal is expected to boost the North American auto industry. Image credit: Cadillac

By STAFF REPORTS

The United States and Mexico have agreed to amend the North American Free Trade Agreement, coming to a preliminary agreement after more than a year of negotiations.

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Canada, the third party in the original NAFTA deal, has not yet agreed to new terms set by this revised version of the agreement, which President Trump intends to call the United States Mexico Trade Agreement. The updated trade deal includes new rules for automakers, including raising the portion of cars that need to be built in the North American region.

Coming to terms

Per Reuters, Mexican president Enrique Peña Nieto and President Trump are looking to include Canada in the talks as soon as possible. If Canada does not agree to new terms, Mr. Trump has threatened to put tariffs on Canadian car imports.

The National Retail Federation is also hoping to include Canada in the negotiations.

"Coming to terms with Mexico is an encouraging sign, but threatening to pull out of the existing agreement is not," said Matthew Shay, president and CEO of the NRF, in a statement in response to the development. "NAFTA supports millions of U.S. jobs and provides hardworking American families access to more products at lower prices.

"To preserve these benefits and protect complex, sophisticated and efficient supply chains, the administration must bring Canada, an essential trading partner, back to the bargaining table and deliver a trilateral deal," he said. "We hope all parties will resolve their remaining differences, and we will assess any final agreement based on whether it promotes U.S. economic growth and continues to improve the lives of American workers and consumers."



U.S. automakers such as Lincoln would be subject to changing terms. Image credit: Lincoln

As part of the deal, three-quarters of auto content would need to be manufactured in North America. This is up from about 63 percent today.

"Automakers support modernizing NAFTA to bring this nearly 25-year-old agreement into the 21st century," said a statement from the Alliance of Automobile Manufacturers. "We are pleased to hear that the U.S. and Mexico have reached a consensus on several issues, including automotive rules of origin, and we look forward to learning more.

"Automakers urge the U.S. and Mexico to quickly re-engage with Canada to continue to build on this progress," it said. "The industry is hopeful that any changes to NAFTA auto rules of origin continue to strike the right balance by incentivizing production and investment in North America while keeping new vehicles affordable for more Americans."

The U.S. and Mexico have agreed to a 16-year trade deal, which includes the ability to review the agreement every six years.

Before going into effect, Congress would need to approve the agreement. The White House is reportedly planning to officially notify Congress of the deal on Aug. 31, with Mr. Trump intending to sign the revised NAFTA in 90 days.

Officials from the United States and China are also set to meet to discuss the contentious trade negotiations between the two countries for the first time in months, continuing to negotiate tariffs that could have a major impact on two of the largest luxury-consuming nations in the world.

The discussion comes amid tense talks that have gone on between the two countries, exacerbated by comments from President Donald Trump predicting that there would be little progress from the meeting. Representatives of groups such as the National Retail Federation have condemned the harsh tariffs placed on China and the ensuing trade war, stating that it is bad for business and for consumers ([see story](#)).

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