

Trump administration to pursue protectionist agenda in NAFTA renegotiation

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US Trade Representative Robert Lighthizer released the Trump administration's objectives for the upcoming renegotiation of the North American Free Trade Agreement (NAFTA) Monday.

Animated by Donald Trump's nationalist "America first" agenda, they are aimed at recasting NAFTA into a more overtly US-dominated, protectionist North American trade bloc, so as to bolster American big business as it confronts its chief global economic rivals: China, Germany, and to a lesser extent Japan.

Lighthizer's document begins with the demand that NAFTA's rules be rewritten so as to eliminate America's trade deficit with its NAFTA partners—a measure principally aimed at Mexico.

Fully backed by the right-wing trade union bureaucracy, Trump has whipped up anti-Mexican chauvinism as part of his "Buy American, hire American" program. Under the cover of nationalist demagogic, this program is designed to boost US corporate profits through massive tax cuts and the gutting of workers' wages, workplace benefits, and environmental regulations. These reactionary policies go hand in hand with US imperialism's ever more open reliance on military force to assert its global interests against its economic and geostrategic rivals, whether in the Middle East, Eastern Europe, or the Asia-Pacific.

Washington intends to use the NAFTA renegotiation—formal talks are to begin August 16—both to extract concessions from corporate America's Canadian and Mexican rivals and to establish a template that can be used to bully other countries into adopting trade and investment rules more favorable to US big business.

Thus, Lighthizer's document outlines demands for strengthened "intellectual property rights," which would benefit the US pharmaceutical and IT giants; for greater market access for US agribusiness; and to "preserve and strengthen" Mexico's energy market "liberalization"—that is the opening up of the country's oil, natural gas and electricity sectors to foreign capital. This last objective is shared by Canada, whose banks and oil and infrastructure companies are major players in global energy markets.

Another Trump administration objective is to ensure that no country acts as a "currency manipulator." This has less to do

with the actions of the other NAFTA members than at creating a mechanism for the US to advance its aggressive economic demands against Beijing and Berlin. During the presidential election campaign, Trump repeatedly denounced China as a "currency manipulator." In recent months he has joined his chief economic adviser Peter Navarro in excoriating Germany for its large trade surplus and accusing it of benefiting unfairly from the "low-value" Euro currency.

The first six months of the Trump administration have witnessed a sharp increase in protectionism internationally. In March, in what amounted to a further breakdown of the US-led system of world trade established in the post-war era, Treasury Secretary Stephen Mnuchin prevailed on his counterparts at a G-20 finance ministers' meeting to drop a commitment to combat protectionism from the meeting's final communique. Since the 2008 world financial crash, the reaffirmation of this commitment had been seen as essential in avoiding a reversion to the beggar-thy-neighbour policies that exacerbated the Great Depression of the 1930s.

In April, Trump initiated steps toward slapping high tariffs on US steel imports under a rarely used 1962 law which allows the president to block imports that undermine national security. While this measure would chiefly hit China, European countries, led by Germany, have reacted angrily and are threatening to adopt counter-measures.

Soon after, White House leaks revealed that Trump was on the verge of announcing Washington's impending withdrawal from NAFTA. Only after frantic lobbying by leading US business representatives, Canadian Prime Minister Justin Trudeau and Mexican President Enrique Peña Nieto did Trump agree not to launch the NAFTA "renegotiation" by threatening to blow up the 23-year-old trade bloc.

However, US officials continue to use bellicose imagery in discussing their approach to the talks and Lighthizer's objectives document bluntly states that no deal, i.e. NAFTA's collapse, would be better than a bad deal.

Commerce Secretary Wilbur Ross has made clear that Washington sees the renegotiation of NAFTA as the prelude to the intensification of trade conflicts around the world. Following his confirmation in February, he emphasized that the Trump administration would prepare measures against China,

labelling it the largest protectionist economy in the world. Two months later, Ross accused Chinese companies of using NAFTA rules to gain access to the US market via Mexico. “The whole idea of a trade deal,” he declared, “is to build a fence around participants inside and give them an advantage over the outside.”

Trump and his aides have indicated the US will insist that NAFTA’s “rules of origin”— regulations that stipulate how much of a product must be manufactured in the NAFTA region for it to be tariff free—are rewritten to the detriment of foreign producers, including in the highly globally-integrated auto sector. Currently 62.5 percent of a car must be built in the three NAFTA states for it to be tariff exempt.

There are indications that sections of the Mexican ruling elite are prepared to line up with Washington’s bellicose anti-China stance in exchange for securing a deal with the US, which is the destination for more than four-fifths of Mexican exports. Cesar Castro, head of the electronics industry group Canieti, told Reuters that his organization was considering supporting a rise in the rules of origin on electronic products from 5 to 50 percent as a means to boost the manufacturing of certain components in Mexico rather than importing them from China and other Asian countries. Moises Kallach, head of Mexico’s CCE business lobby, also indicated that Mexico might be ready to accept the Trump administration’s proposal that some products be subject to domestic content rules, requiring that a certain amount of their production take place within a designated NAFTA country.

Within the US, some of the most stridently protectionist demands are being raised by Democrats. Oregon Senator Ron Wyden dismissed Lighthizer’s list of objectives as “hopelessly vague in how the changes would benefit the United States on issues such as intellectual property, investment, currency manipulation and government procurement.”

The Canadian bourgeoisie, which for decades relied on its close partnership with Washington to advance its global imperialist ambitions, has strongly supported the Liberal government’s push for a close working relationship with the Trump administration. When Prime Minister Justin Trudeau visited the White House in February, he endorsed the idea of a US-led North American protectionist bloc and emphasized Canada’s eagerness to strengthen military-security cooperation with the US, including through the expansion and “modernization” of NORAD.

Canadian officials have also signaled that if push comes to shove they are ready to throw Mexico to the wolves and strike a bilateral deal with the US.

However, many contentious issues remain. In April, the US imposed high tariffs on Canadian softwood lumber imports in a long-running dispute, and Trump attacked Canada’s dairy industry in a series of belligerent statements.

While Canadian government officials have refused comment on Lighthizer’s objectives, saying they aren’t going to

negotiate through the press, various trade experts have expressed shock and anger at some of the US demands. Particularly grating are two that would undermine Canada’s privileged status under NAFTA: the scrapping of a dispute resolution system known as Chapter 19 and a provision that exempts Canadian and Mexican producers from US “safeguard” trade actions unless they can be shown to have been major contributors to the alleged harm suffered by US firms.

Canada has drawn up its own list of demands for the NAFTA talks, but unlike the Trump administration is under no legal obligation to release them to the public.

While claiming to be confident that a deal will be reached, the government is known to have drawn up lists of threatening and retaliatory trade measures.

In both Canada and the US, the trade unions are leading the way in stoking economic nationalism, while closely collaborating with government and industry in the formulation of their respective countries’ demands.

AFL-CIO President Richard Trumka has criticized the Trump administration for failing to live up to its hardline protectionist rhetoric. Lighthizer’s objectives, he claimed, are “vague” and “unambitious.”

Jerry Dias, the president of Unifor (the former Canadian Auto Workers union), is urging tariffs be imposed on cars produced in Mexico, claiming that this will force auto producers to open new plants in Canada and the US. Last week Dias traveled to Washington to meet with Wilbur Ross, who, according to the Unifor president, agreed with him that Mexico is “the problem” when it comes to auto investment.

For decades, the US-based United Auto Workers (UAW) and Unifor have pitted autoworkers in Canada and the US against each other, imposing round after round of wage and benefit cuts in the name of defending “American” or “Canadian” jobs. Now they are joining forces, adopting Trump’s “fair trade” slogan, and calling for the rules of NAFTA to be changed at the expense of Mexican workers and so as to strengthen the North American automakers against their rivals in Europe and Asia.



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