

US-Mexico trade pact takes aim at Washington's rivals and the working class

Keith Jones**29 August 2018**

US President Donald Trump's announcement Monday of a bilateral US-Mexico trade deal that will supersede the three-country North American Free Trade Agreement (NAFTA) is an economic and geopolitical power play with major ramifications, not just for Canada, the US and Mexico, but for global economic and international relations.

Full details of the US-Mexico trade pact have yet to be negotiated, let alone made public. Nevertheless, it is clear that the Trump administration has wrenched major concessions from Mexico impacting energy, financial services, intellectual property and the auto sector.

Trump and his senior aides went out of their way to frame Monday's announcement as a threat aimed at Canada, with the US president declaring that NAFTA was dead and Canada would be able to join the new US-Mexico agreement only if it negotiated "fairly," i.e., bowed to key US demands.

"I think with Canada, frankly, the easiest thing we can do is to tariff their cars coming in," said Trump, referencing his threat to impose a 25 percent tariff on auto imports from Canada. "It's a tremendous amount of money," he continued, "and it's a very simple negotiation... But I think we'll give them a chance to probably have a separate deal. We can have a separate deal or we can put it into this deal."

Trump went on to repeat his longstanding demand that Canada scrap, or at least dramatically curtail, its agricultural supply-management systems, which severely limit imports of American dairy products and poultry.

Seeking to maximize pressure on Ottawa, whose negotiators were excluded from the NAFTA renegotiation for the past month on the grounds that the talks were focused exclusively on US-Mexican issues, the Trump administration is vowing to formally notify Congress it has negotiated a successor agreement to NAFTA this Friday, whether Canada is on board or not.

Canadian Foreign Minister Chrystia Freeland traveled to Washington Tuesday to hold talks on trade with Trump officials.

If a three-way agreement is not reached by Friday, Canada, say US officials, would retain the option of signing onto the US-Mexico deal later. However, the implicit threat is that the longer Ottawa haggles with Washington, the greater the

likelihood there will be separate US-Mexico and US-Canada trade deals, placing America's two neighbours in a still weaker position vis-à-vis the US colossus and threatening to disrupt Canadian big business' continental production chains.

Mexican officials have long insisted, including in remarks made Monday by outgoing Mexican President Enrique Peña Nieto, that they want to preserve a three-country agreement. But later Monday, Mexican Foreign Minister Luis Videgaray Caso signaled that if push comes to shove, Mexico will accept a bilateral deal with Washington. "There are things that we don't control," said Videgaray, "particularly the political relationship between Canada and the US, and we definitely don't want to expose Mexico to the uncertainty of not having a deal."

Trump's hype notwithstanding, the ultimate importance and fate of his US-Mexico deal is uncertain. Not only do its terms have to be fleshed out, but also powerful sections of US big business and much of the US Congress—and Canada's government is banking on this—are opposed to the scrapping of a US-led North American economic bloc. Senior Republicans and Democrats have both said that Trump is overstepping the authority Congress gave him to "modernize" NAFTA in seeking to substitute a bilateral US-Mexico deal for the continental trade pact.

That said, the NAFTA renegotiation has exemplified the US ruling elite's drive to push the burden of the world capitalist crisis onto other powers, including its ostensible allies. This is precipitating the unraveling of the US-led "liberal" world capitalist order and the struggle of rival nationally-based capitalist cliques against one another for markets, profits and military-strategic advantage. Without the revolutionary intervention of the working class, the logic of this surge in protectionism, trade war and geopolitical conflict is a catastrophic clash between the great powers.

For Canada's imperialist ruling elite, which for the past three-quarters of a century has boasted of being Washington's closest and "best" ally, the Trump administration's demand that the Canada-US economic and military-security partnership be refashioned to better serve Washington and Wall Street is the source of a historic crisis.

A Bank for International Settlements study published last week concluded that Canada, largely because of the auto sector,

would be the most adversely affected of the three NAFTA states were the quarter-century-old agreement to be abrogated.

The information released to date indicates that the US-Mexico trade pact ignores key Canadian demands while violating several of Ottawa's bottom lines, including maintenance of a trilateral disputes resolution system.

Under the present agreement, Mexico would remain subject to the 10 and 25 percent tariffs that Trump imposed earlier this year on aluminum and steel imports, respectively.

Some Canadian commentators were taking solace Tuesday from the changes the Trump administration has forced Mexico to accept to the rules that govern the tariff-free access of cars and light trucks to the North American market. These include: raising the North American content requirement from 62.5 percent of a vehicle's value to 75 percent; using more North American-sourced steel and aluminum; and, over time, imposing a stipulation that 40 to 45 percent of a vehicle must be made by workers earning at least \$US16 per hour.

The unions in both Canada and the US, which have been intimately involved in the NAFTA negotiations, are hailing the new auto rules as a major advance, just as they have lined up behind Trump's steel and aluminum tariffs and his threat to hit European- and Asian-made vehicles with a 25 percent tariff.

In an interview Monday, Jerry Dias, the president of Unifor, formerly the Canadian Auto Workers union, gloated over the fact that the new rules will result in the layoff of impoverished Mexican auto workers. "There is no question," said Dias, "that Mexico will lose some of the jobs that they have managed to take over the years. So, I think this is a positive development for Canada."

The auto provisions of the US-Mexico trade deal are highly significant for two reasons. First, they underscore that any "insourcing" of jobs to the US and Canada as the result of Trump's "America First" policy and the turn to protectionism more generally will be based on the expansion of low-wage jobs and intensified worker exploitation, with the full complicity of the corporatist, pro-capitalist trade unions.

Second, they all but announce that the Trump administration has decided to move forward with the imposition of its threatened 25 percent auto tariff, a measure that will dramatically escalate the now simmering trade war between the US and the European Union and Japan.

This is because, absent a significant hike of the current 5 percent tariff on vehicles imported to North America, the new rules governing tariff-free NAFTA access will, according to auto analysts, not only be ineffectual, they will actually undercut the competitive position of North American producers.

From the beginning, the Trump administration has approached the NAFTA negotiations from the standpoint of strengthening its hand to confront its more substantial economic rivals, above all China, Germany and Japan. In enunciating this strategy in January 2017, Trump's commerce

secretary, Wilbur Ross, dispensed with diplomatic etiquette to refer to America's southern and northern neighbours as "our territory." Declared Ross, "We ought to solidify relationships in the best way we can in our territory before we go off to other jurisdictions."

Recognizing Washington's broader aims, both Canada and Mexico were quick to signal their support for measures aimed at China, including limits on market access and investment for state-owned corporations—measures that Washington is intent on making standard in other trade agreements.

The response of the Canadian ruling class to the increased pressure being placed on it by Washington will be to lash out more ruthlessly against the working class and more aggressively assert its own predatory interests on the world stage. The Justin Trudeau-led Liberal government has promised that it will respond in its fall fiscal update to the growing clamour from big business that it match Trump's massive corporate tax cuts.

Meanwhile, in Ontario, the country's most populous province, the ruling class has propelled to power a Conservative government led by the Trump admirer and fellow right-wing populist Doug Ford in order to intensify the assault on public services and workers' rights.

In response to Trump's steel and aluminum tariffs, the Trudeau government not only imposed \$16 billion (Canadian) in retaliatory tariffs, it stepped up protectionist measures against China and other low-cost producers based in so-called emerging economies.

And in June 2017, the Trudeau government announced a 70 percent hike in Canadian military spending by 2026. As Foreign Minister Freeland explained, the aim was to bolster Canada's support of a US-led world order—i.e., North American hegemony—and ensure that the Canadian ruling elite has the might to assert its own interests—that is, to get a bigger share of the spoils of imperialist intrigue and war.

In opposition to the rival capitalist elites and the pro-capitalist trade unions, which serve as their loyal lieutenants in dragooning workers behind trade war and inciting nationalism and militarism, workers in Canada, the US and Mexico must join forces with their true allies, workers in Asia, Europe and around the world to oppose austerity and war.



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