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USMCA

United States - Mexico - Canada Agreement

“USMCA: The Renegotiation of NAFTA into a 21st Century Agreement”

(2016 - 2018)

Bruno Prudente de Oliveira

Cyntia dos Santos Faria

Rodrigo da Rosa Venâncio Fernandes

Dear Delegates,

We, the board of the United States-Mexico-Canada Agreement (USMCA), have developed this Study Guide to help you understand the conflicts surrounding the central theme of our discussion, the Modernization of NAFTA into a 21st-century agreement.

Our Committee works in a very different way from the conventional committee, because instead of having a group of people reunited to make decisions in the name of a bigger organization which they represent, we have people representing several economic sectors of their respective countries trying to achieve an agreement that can please the interests of their nations, with us - The Board - Representing the leaders of those countries.

Besides having a different functioning structure, as you probably already know, our committee also works with two languages at the same time, English and Spanish, simulating an environment in which you not only have to deal with the different interests each country has but also the cultural differences that exist within the negotiations, the different languages being one of the most challenging ones.

We hope you can enjoy this experience we are preparing for you and that it helps you understand how this game of interests can affect the relations countries have with each other.

Best Regards,

Bruno Prudente de Oliveira

Cyntia dos Santos Faria

Rodrigo da Rosa Venâncio Fernandes

SUMMARY

1. The North American Free Trade Agreement: Understanding the Historical Context

The North American Free Trade Agreement, or NAFTA, is an economic agreement signed and approved by the United States, Mexico, and Canada in the year of 1994. The deal currently grants the elimination of most tariffs on products traded between the three countries, the protection of intellectual property, the establishment of dispute resolution mechanisms, and, through side agreements, implements labor and environmental safeguards.

NAFTA emerged in a context where globalization was rapidly growing. With the technological advances of the 1980s, it became easier and quicker to complete international transactions, which meant countries started to seek agreements to improve economic integration. As Europe's common market began to develop with the Treaty of Rome, the US Congress approved the Trade and Tariff Act in 1984, which facilitated the negotiation of bilateral free trade agreements.

As the US took the first step to improve its economic relations, Canadian Prime Minister Mulroney agreed to begin discussions for the creation of a deal with the US, which ended up originating the Canada-US Free Trade Agreement, that came to force in the year of 1988. However, North America was still not fully integrated until the year of 1991, when Mexico's president Carlos Salinas requested a free trade agreement with the US, and, as President George W. Bush began to negotiate with Salinas, Canada decided to enter the negotiations with the proposal of a trilateral deal. With that, in the year of 1992, the same year of the creation of the European Union, the North American Free Trade Agreement was signed, and, as it got approved by the US Congress with the addition of labor and environmental regulations, it came into force in 1994.

1.1. The Economic Transformations of the 1990's: Before and After NAFTA

United States

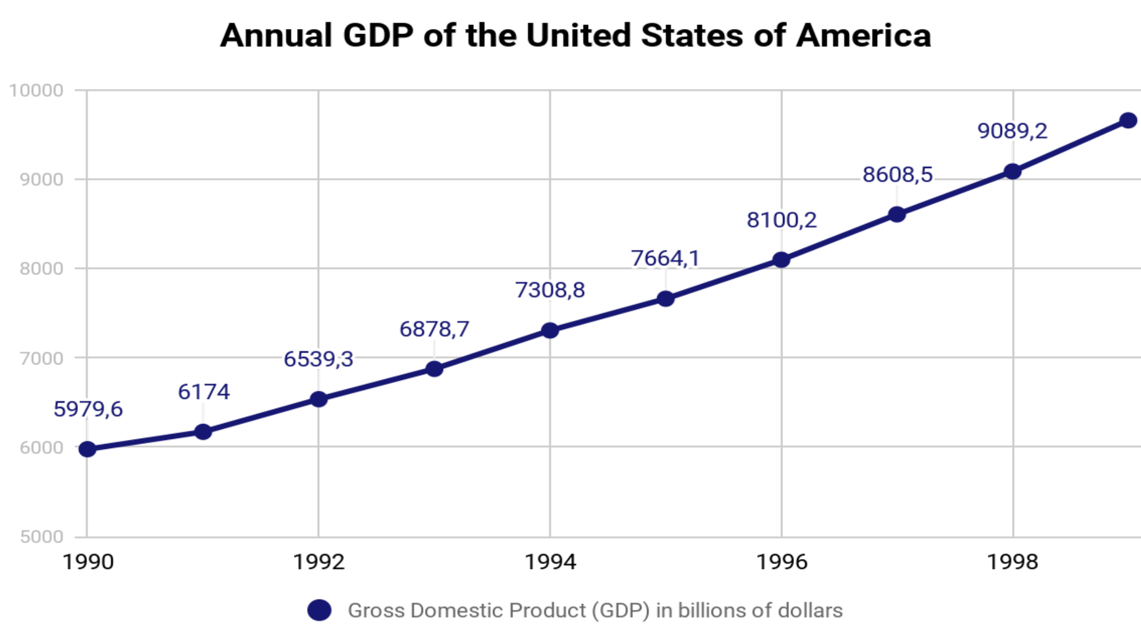
The Beginning of the Economic Boom (1991 - 1994)

The United States experienced a period of economic prosperity in the 1990s, with strong economic growth, steady job creation, low inflation, and a surging stock market because of several technological changes, mainly the arrival of the internet, along with shifts in economic policies, such as the creation of trade agreements.

However, this economic scenario followed a series of commercial recessions in the previous decades, as a result of international conflicts. The 1980s were marked by high inflation and unemployment rates, starting with a recession that went from 1980 to 1982, with peak GDP (Gross Domestic Product) decline at 7.8%. The reasons for the collapse were the 1973 oil crisis and the 1979 energy crisis, along with many monetary policies of the US Federal Reserve that only worsened the inflation rates.

As the United States initiated the conflict in Iraq during the Gulf War, the gas prices increased and the country experienced another recession from June 1990 to March 1991. After the conflict ended in the second semester of 1991, the economy started to recover and the GDP growth went from -1.8% to 3.14%, marking a period that would be known as the American 'Economic Boom', which lasted about a decade and had its peak in the early 2000s with an annual growth of approximately 7.7%.

Figure 1 - American GDP growth during the 1990's



Source: created by the authors.

The Highlight of the Economic Boom (1994 - 1999)

The Economic Boom had its highlight after 1994, and one of the main reasons for that prosperity was the creation of the North American Free Trade Agreement (NAFTA). The agreement stimulated job creation and tax reduction as the US increased economic relations with Canada and Mexico, and the year of 1994 set record for the number of jobs created (3.85 million), only being surpassed in 2015.

The economic growth had a short pause in 1995 when the Federal Reserve raised interest rates from 3% to 6% to prevent inflation from rising after the rapid growth. Nevertheless, this pause did not last long since the economy adjusted and the arrival of the internet initiated an economic period known as the 'Dot-com bubble'.

In addition to this event, the New Generational Bulge of Millennials would create a significant market dedicated to young people during this decade, and with the ending of the conflict caused by the Iraqi invasion of Kuwait, oil prices began to decrease which also benefited the growth of the economy.

Table 1 – An insight of the economic prosperity of the 1990's

YEAR	GDP growth	Jobs Created (millions)	Deficit / Surplus	GDP (trillions)
1990	1,86%	0,311	-$221,2 billion	$5,5
1991	-0,26%	-0,858	-$269,3 billion	$5.9
1992	3,4%	1,154	-$290,4 billion	$6,3
1993	2,87%	2,788	-$255,1 billion	$6,6
1994	4,11%	3,851	-$203,2 billion	$7,1
1995	2,55%	2,153	-$164 billion	$7,4
1996	3,79%	2,794	-$107,5 billion	$7,8
1997	4,51%	3,355	-$22 billion	$8,3

1998	4,4%	3,002	$69,2 billion	$8,7
1999	4,87%	3,174	$236,4 billion	$9,3

Source: created by the authors.

Canada

Canada prior to free trade agreements (1960 - 1989)

Canada has always had strong economic ties with the US, which is to this day Canada's main trading ally. However, the relationship between the two countries was not always mutually beneficial, and, until the late 1980s, Canada used to take several protectionist measurements towards the United States. The reason for such behavior was that, even though they had a good trading partnership, American products were overall viewed as superior, meaning Canadian products struggled to compete in the US market, therefore, the overall fear was that, if the US had the freedom to easily trade and invest in Canadian industry, the United States could gain too much power over Canada's economy.

That fear led to the Canadian Government to experiment with numerous trade and industry policies during the 1960s and 1970s, including high import tariffs, subsidies for industrial modernization and limitations on foreign ownership of the oil and gas sectors, as an attempt to protect Canadian products and improve competitiveness in foreign markets. Those actions, though, did not meet Canada's expectations, and with that, the Canadian government recognized that tariffs would not sufficiently protect Canadian industry from US competition, then, a possible alternative solution would be negotiating a free trade agreement with the United States to eliminate tariffs.

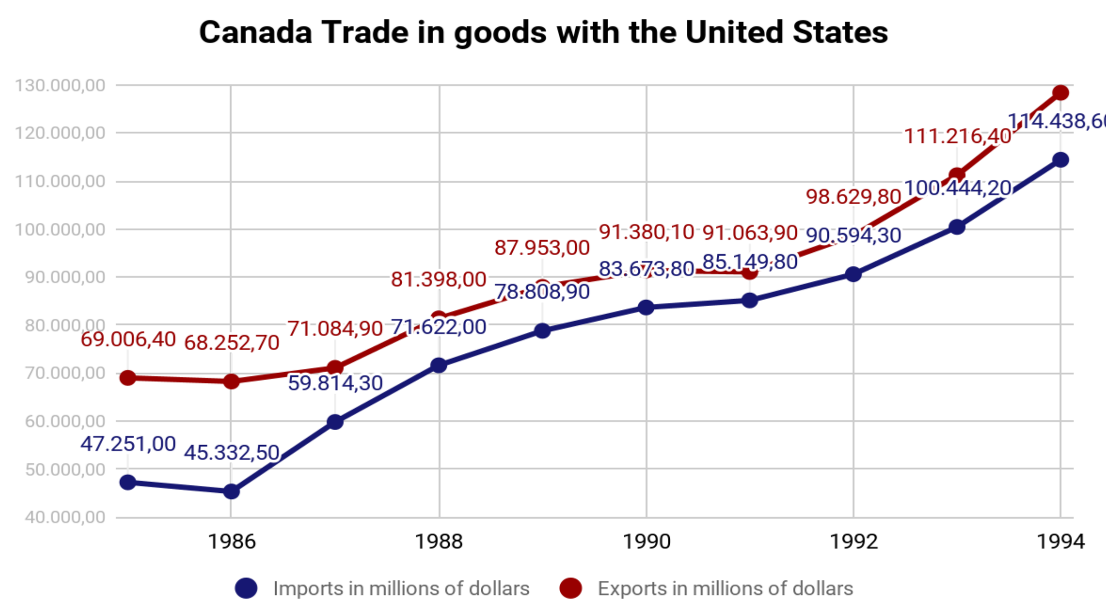
The result was the Canada-United States Free Trade Agreement (FTA). The FTA established a relationship that was mutually beneficial, with the elimination of tariffs on goods and promotion of foreign investment opportunities for Canada and the United States. With the agreement, Canada was able to remove trade barriers while still protecting its economy from excessive American influence, with positive economic effects.

Canada and the Economic Recovery (1994 - 1999)

Similarly to the United States, Canada went through a severe recession from 1990 to 1991, due to previous failed policies taken by the Bank of Canada to prevent the rise of inflation. Unlike in the US, the effects of the recession were greater because of higher inflationary pressures within a context of low expectations of recovery.

With the creation of the North American Free Trade Agreement (NAFTA) in 1994, the country observed a brief recovery in the same year; however, this event was followed by an economic decline in 1995 and 1996. The reason for the decline was that, although improving its exports, Canada was still dependent upon the United States for a majority of its trade.

Figure 2 – Canadian trade with the United States



Source: created by the authors.

After the year of 1996, Canada's economy began to grow again in step with the boom in the United States, mainly due to the participation of Mexico in the agreement, meaning the country would not be so reliant of the US. The impact of this tariff-free trade on Canada was enormous, and the country saw a growth of 27% to 44% in the percentage of GDP from exports, meaning Canada no longer was relying on itself for the consumption of its products.

Figure 3 - Canadian GDP growth during the 1990's

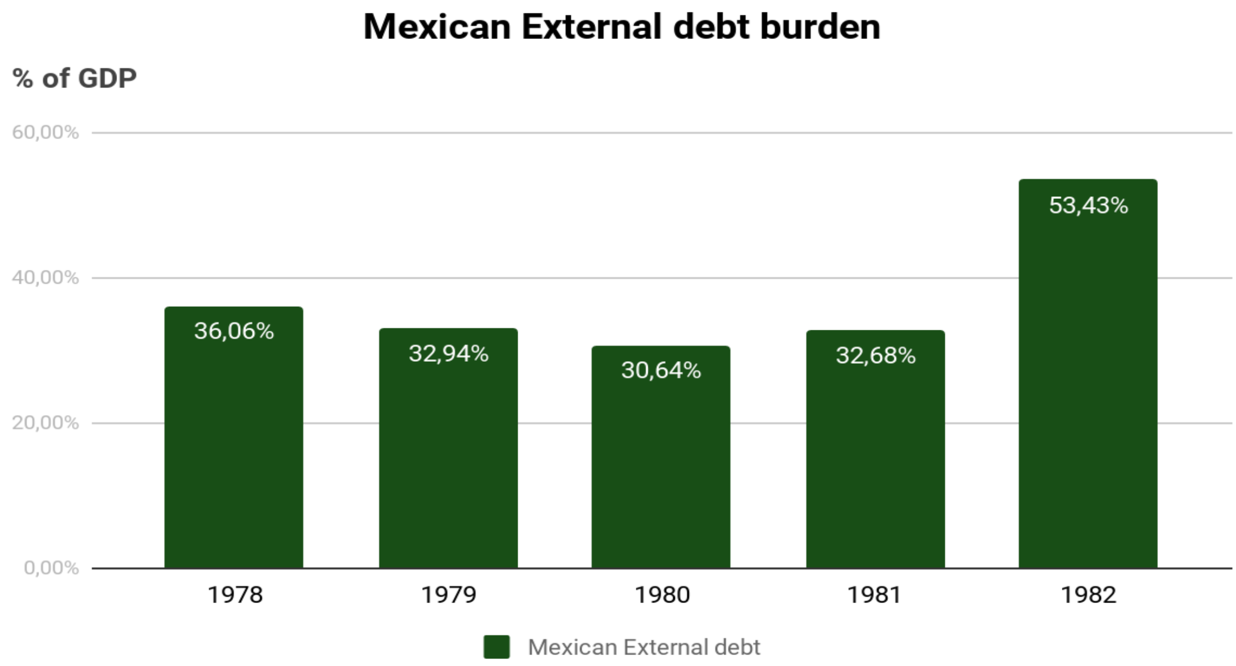
Source: created by the authors

Mexico

The Lost Decade and the Tequila Crisis (1982 – 1994)

In 1982, Mexico went through one of its worst recessions since the 1930s, in a period that would be later called ***'La Década Perdida'*** (the lost decade) of economic growth. This period of fueled inflation would haunt Mexico's economy for the next decade, with a decline of investments in the country's infrastructure in 1989, from 12.5% of its GDP to 3.5%. In this context, the first presidential years of Carlos Salinas were marked by a short growth, however, in the early 1990s GDP growth started to decline again.

Figure 4 – Mexico's External debt during the Lost Decade



Source: created by the authors.

During 1993, although nearly insignificant, a period of growth marked Mexico's Economy. The growth was sustained by the ratification of the North American Free Trade Agreement (NAFTA) that was signed in that year and came into force in 1994, and by the Mexican treasury emissions of short-term debt instruments denominated in pesos with guaranteed repayment in U.S. dollars, in order to attract foreign investors.

However, a violent rebellion in the state of Chiapas of Mexican farmers against the implementation of NAFTA, known as the **Zapatista Uprising**, along with the assassination of presidential candidate Luis Donaldo Colosio, resulted in political instability throughout Mexico. In this scenario, in order to protect the economy, Mexico's Central Bank maintained the peso's value through an exchange rate peg to the U.S. dollar, directly intervening in the open market to prevent the peso to rise or decline uncontrollably.

The Central Bank's objective in maintaining an **exchange rate peg**[1] to the U.S. dollar was to protect its currency from the inflationary risks of a severely weakened peso. With the peso stronger than it was supposed to be, domestic companies and consumers

[1] When a currency's value is fixated based on the value of another currency in order to prevent it from fluctuating in an uncontrolled manner.

increasingly began to purchase more imports, and **Mexico started to run a large commercial deficit**. In that context, in order to sustain its monetary base and prevent rising interest rates, the Central Bank began to purchase several treasury bills, especially given that 1994 was an election year.

After Mexico's investment to maintain the peso's value, the Central Bank's foreign exchange reserves started to decline and, by December 1994, they **were completely out of U.S. dollars**. With that, on December 22, the Mexican government allowed the peso's value to fluctuate; causing the currency to depreciate by 15%, which led to prices in Mexico rising by 24%, and, by the end of 1995, hyperinflation in Mexico had reached a mark of 52%.

The mutual funds, which had invested in over $45 billion worth of Mexican assets in the years leading up to the crisis, began to adjust their positions in Mexico and in other developing countries. With that, foreign investors started not only to flee Mexico, but also emerging markets in general, leading to a financial contagion throughout markets in Asia and Latin America in what would be known as the **"Tequila Effect"**.

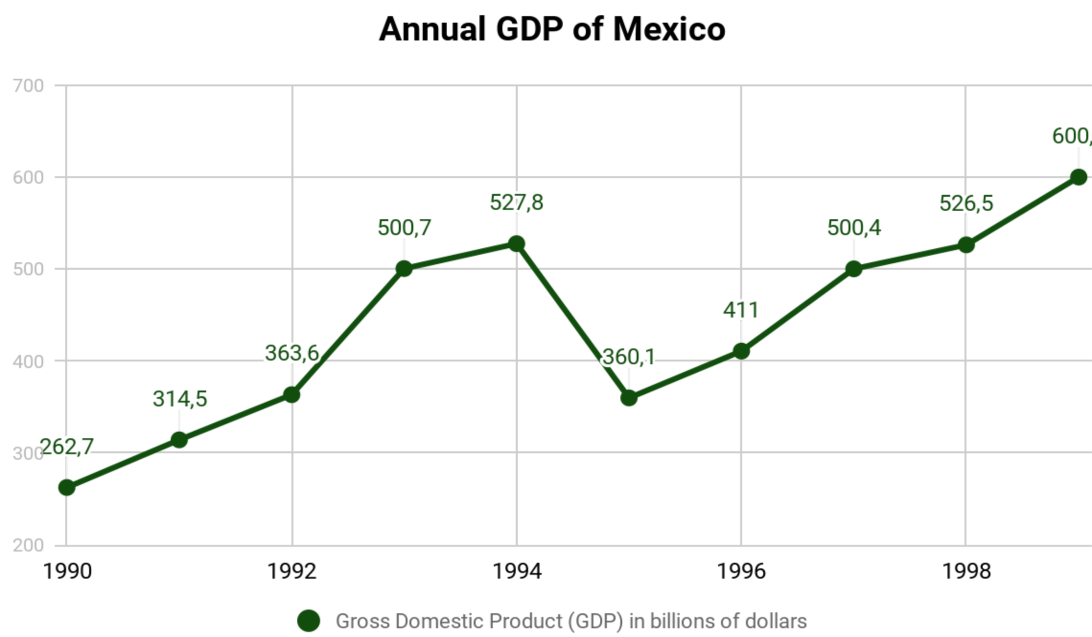
The American Bailout and the Economic Recovery (1995)

In January 1995, U.S. President Bill Clinton executed a meeting with the representatives of the U.S. Treasury and U.S. Federal Reserve to discuss an American response to the peso crisis. Motivated by the possibility to solve a potential surge of illegal immigration to the US and the dissemination of financial contagion from Mexico to other developing countries, the American government coordinated a $50 billion **bailout**[2] package in January 1995, to be administered by the International Monetary Fund (FMI).

Thereby, as a condition to the considerable bailout, **Mexico was required to implement certain fiscal and monetary policy controls**. Since Mexico was part of the North American Free Trade Agreement (NAFTA), the Mexican government would also have to keep its compromises to regulation policies made in the deal.

Figure 5 - Mexican GDP growth during the 1990's

[2] Financial help given to a country or corporation to prevent it from going bankrupt.



Source: created by the authors

Mexico suffered many impacts due to the severe recession and the hyperinflation of the 1990s, therefore, the country unintentionally kept high levels of poverty for the rest of the decade. Although the bailout managed to prevent a stronger collapse, the Mexican economy still saw a strong decline in this period because of the devaluation of its currency.

After this recession and the banking crisis of 1995-1997, the country ended up with a more stable economy, and, in the following 15 years, there was no financial crisis caused by economic mismanagement. Mexico's trade with the US and other countries expanded rapidly, and the business cycle of Mexico synchronized with that of the United States'.

Observe the relation between Mexico's GDP and GDP growth to its Trade in goods with the United States, one of its biggest trade partners of the 1990's:

Figure 6 – Mexican trade with the United States

Source: created by the authors.

2. The Economic Turmoil of the 21st century

Early 2000's recession (2001 - 2003)

United States

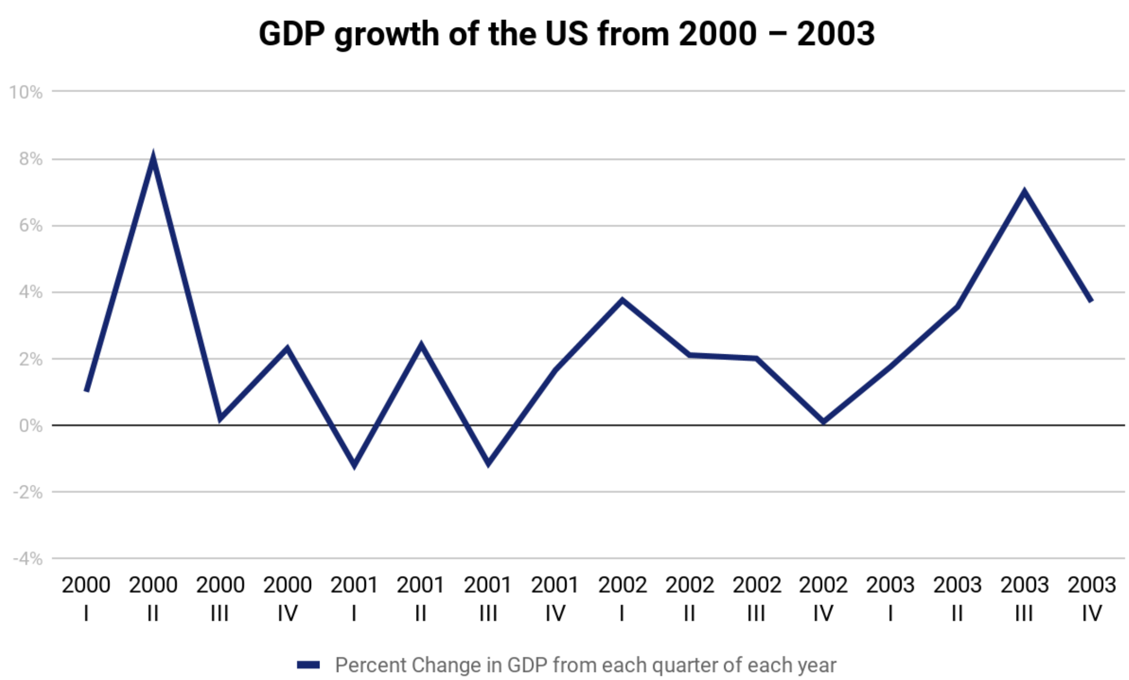
As previously mentioned, during the 1990s the United States went through a period called 'dot-com bubble', in which the rising adoption of the internet caused excessive economic speculation in the stock market, to the point where the economic growth was strong but very unstable.

In the late 1990s, as the Asian crisis started to get strong and countries in Southeast Asia began to accumulate massive external debts, the US saw a mini-crash in the dot-com bubble that would create a level of economic uncertainty from October 1997 to April 1998. Nevertheless, this decline did not last long, as the Federal Reserve raised interest rates in order to adjust the economy to those events.

The measurements taken by the American government were initially very successful and in March of 2000, the NASDAQ Composite index peaked at its highest level, only to drastically crash afterward. Several online shopping companies shut down with the crash, and the second semester of 2000 it saw a considerable decline in GDP growth to the lowest rate since the recession from 1992.

In an attempt to protect the economy from the overvalued stock market, from 2000 to 2001 the Federal Reserve continuously increased interest rates, which although wasn't the alternative that protected the American economy from suffering from these events, still managed to prevent the recession to be long-lasting. During this time, the **Dow Jones Industrial Average**[3] (DJIA) was able to initially keep itself stable, but with 9/11 attacks in 2001, the index suffered its worst loss and crashed, only being able to fully recover in the last semester of 2003.

Figure 7 – American GDP growth in the early 2000's



Source: created by the authors.

Canada

[3] The **Dow Jones Industrial Average** is an index that gathers the value of the 30 large public American companies and how they have traded in the stock market during a certain period.

Since the early 1990s, **Canada's economy has been closely connected with the American economy**, especially after NAFTA strengthened trade relations between the two countries. By that means, as the United States suffered a strong impact with the crash of the 'dot-com bubble', certainly Canada would be affected by this event as well.
However, even though the country was still considerably reliant on the US to a certain point, Canada was surprisingly unhurt by these events. Since the 'dot-com bubble' effect was more predominant in the US, Canada never felt a strong direct impact from the NASDAQ crash, and although GDP growth slowed, the country never actually entered a recession. Another important factor in this situation is the fact that **Canada was not directly affected by the 9/11 attacks and the subsequent** wars, with the airline sector being the only one predominantly affected in the Canadian stock markets.
Because of the favorable position during this major recession period, Canada managed to avoid the introduction of major tax cuts and major new expenditures, something that wasn't feasible to the American economy. With that, the country was able to effectively maintain fiscal management that not only avoided a strong decline, but that was also able to generate an economic surplus, unlike the United States.

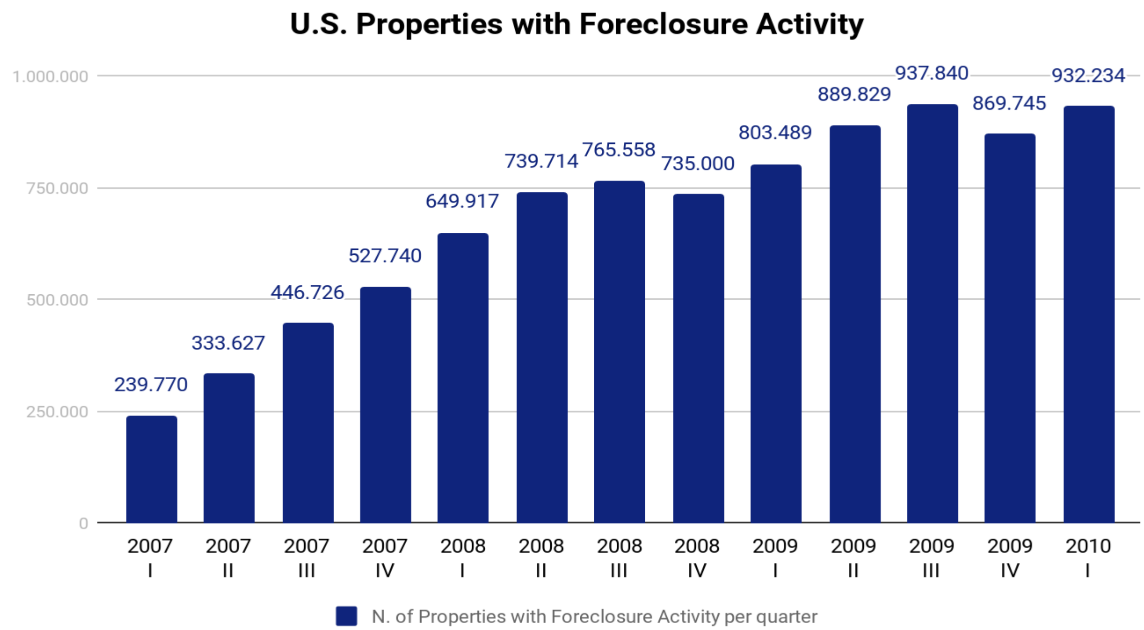
The Great Financial Recession (2008 - 2009)

United States

The year 2008 was marked by a global financial crisis that is perceived by many economists as one of the most serious economic crisis since the Great Depression of the 1930s, in which due to economic instability a large number of people began to withdraw their money from international banks in an attempt to protect their threatened deposits, leading into a banking crisis.
This all started when the United States housing market began to develop a subprime mortgage crisis, meaning people started to take loans from banks and they had difficulty maintaining the repayment schedule. With that, the country faced declining dollar values, thousands of jobs were lost and the National Debt started to accumulate.

At some point in the second semester of 2009, the American housing crisis got so severe that the number of properties with Foreclosure activity, meaning the mortgaged properties that were being taken away from owners who couldn't keep up with the mortgage payment, exceed 930.000, and, according to the Department of Labor, roughly 8.7 million jobs were lost from February 2008 to February 2010.

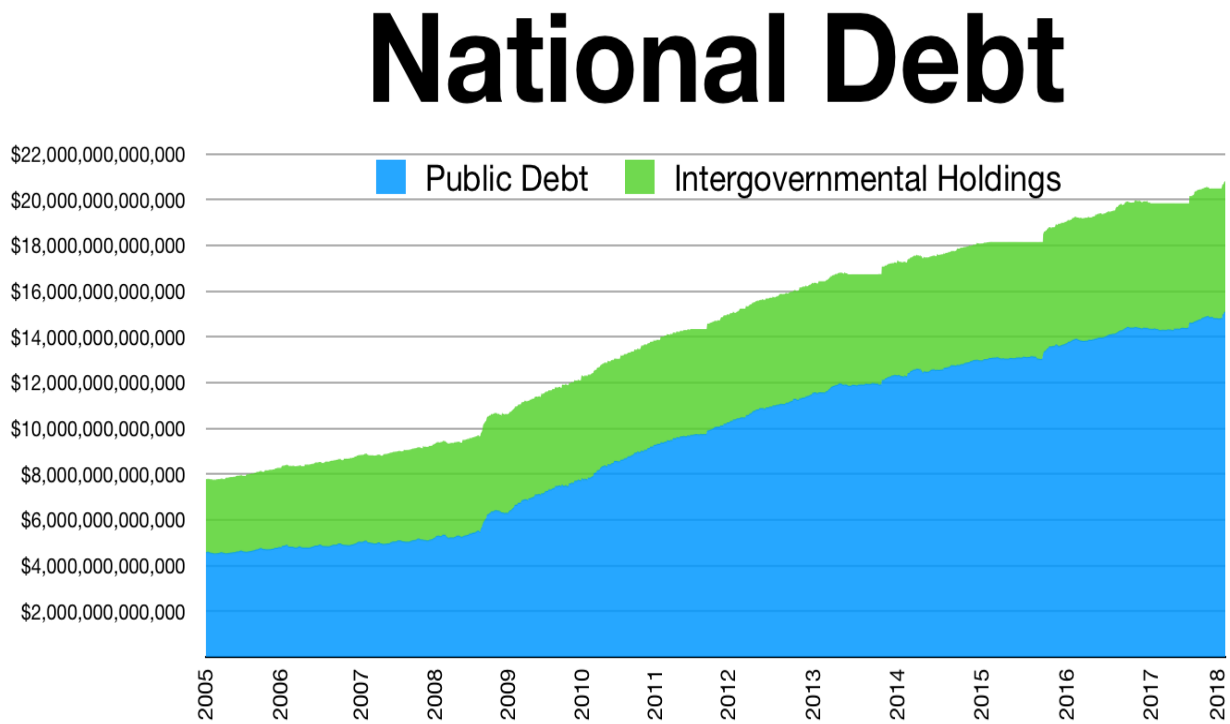
Figure 8 – American Housing Crisis



Source: created by the authors.

In addition to that, failures in financial regulation such as the unsuccessful attempt by the Federal Reserve to prevent a widespread economic impact of the toxic mortgages cumulated to the growth of the Public Debt, to the point where the American GDP contracted by 4.2% between the last semester of 2007 and the first semester of 2009, making this event the worst economic downturn since the Great Depression, which sub sequentially led to a worldwide crisis.

Figure 9 – American External debt during the 2008 crisis



Source: Wikipedia Commons.

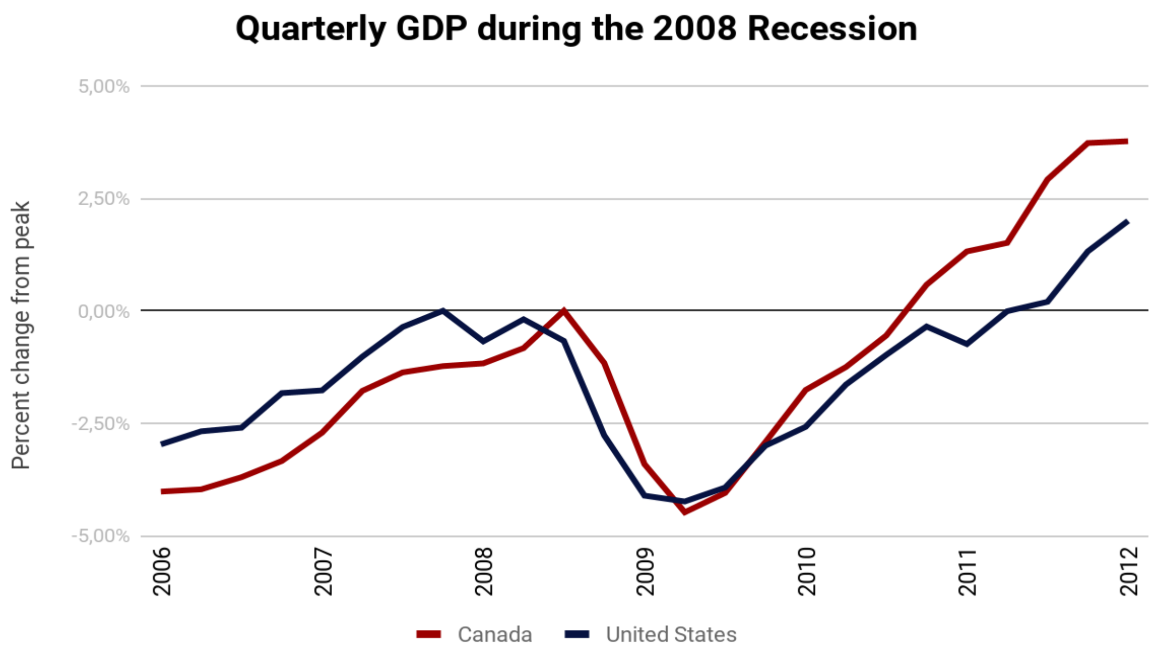
Canada

As it has been established, Canada's economy is strongly impacted by its relations with the United States. Still, despite the fact that the US was already suffering from an economic crisis in 2007, **Canada was actually one of the last industrialized nations to enter a downturn**, with a certain instability in GDP growth in the first semester of 2008, but only officially entering a recession in the last quarter of that year.

Since Canada has a strong banking sector in this period, the country did not initially get an abrupt banking crisis, mainly because, unlike in the US, Canadian banks were not facing unmanageable mortgages. Within this context, since the American economy collapsed from inside, the Canadian economy was actually being hurt by its trade relationship with the United States.

However, even though the country had rising commodity prices and an initially solid banking sector to delay the start of the recession, the harsh economic period did arrive eventually. With it, the Bank of Canada announced its lowest interest level since 1958, GDP declined for two consecutive months at a margin of -0.1% and -0.7% and for the next two years, the unemployment rate rose to 7.5%.

Figure 10 – Canada's GDP growth during the 2008 crisis



Source: created by the authors.

The Bank of Canada officially declared the end of the recession in the first semester of 2009, though; true economic recovery only began in the last semester of that year. Because of that, the Canadian economy was able to recover surprisingly well, with an economic expansion of 6.1% at the beginning of 2010, marking the best growth rate since 1999. The last semester of 2010 it saw a brief deceleration of the growth but that was marked by the creation of 215,900 new jobs.

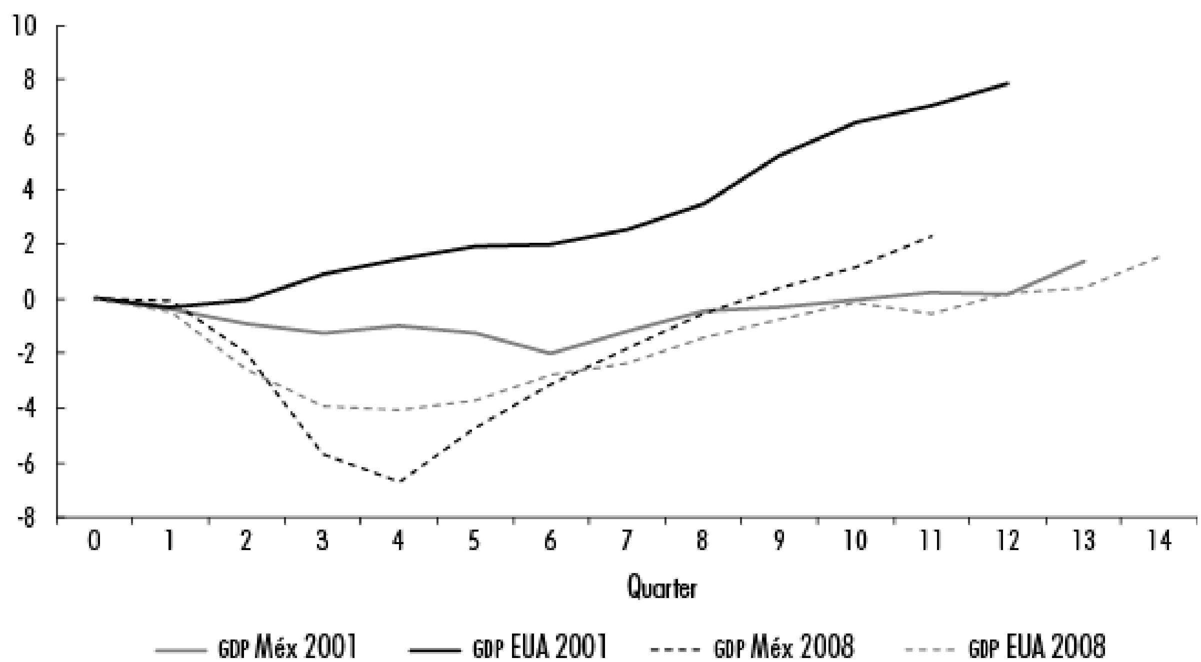
Mexico

Analogously to Canada and the United States, Mexico was struck by two financial crises during the 2000s, which were both originated due to the country's dependence on the American economy. Although these occurrences share the same external origin, the way there were manifested in Mexico was quite different. While the first recession (2001) was very long lasting but not as impactful, the second (2008) was much shorter, but of much greater magnitude.

Despite Mexico's solid financial system; the effects of the American banking crisis affected the Mexican exportation sector considerably, once 85% of the country's exports go to the US. In that context, with a shorter demand, one of the highest unemployment rates in a decade and a declining peso, analysts shifted the official economic growth estimates from 1,8% to near 0% in the year of 2008.

The figure below shows the quarterly decline in GDP growth in Mexico and in the United States during the two recessions of the 2000s, also revealing the duration of these occurrences and the amount of time taken to recover from these periods. As it can be seen, American GDP growth was only minimally affected after the 2001 recession; in contrast, Mexican GDP got affected longer, accumulating a reduction of 2% in 6 quarters. In both countries, however, the 2008 recession was more pronounced; with GDP growth gradually declining throughout 4 consecutive quarters with a peak decline of 4% and 6.7% in the US and in Mexico, respectively.

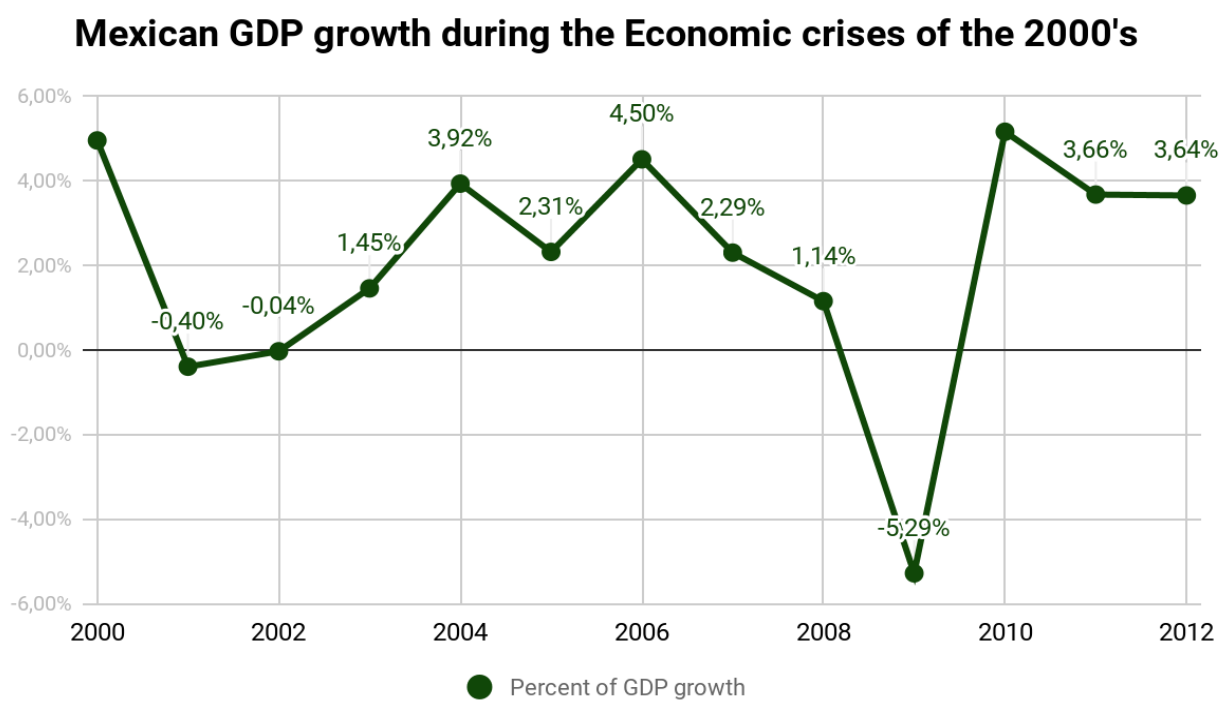
Figure 11 – Mexican GDP growth compared to the American growth



Source: CRS Report for Congress.

Although Mexico suffered a stronger impact, Mexican production recovered from the big recession after only 5 quarters, while the US took 7 quarters to recover. Mexico had a positive growth of 1.5% in 2008 in relation to 2007, and, in 2009, the economy had contracted by 6.5%, at a percentage higher than the one from the Tequila crisis.

Figure 12 – Mexican GDP growth during the 2000's



Source: created by the authors.

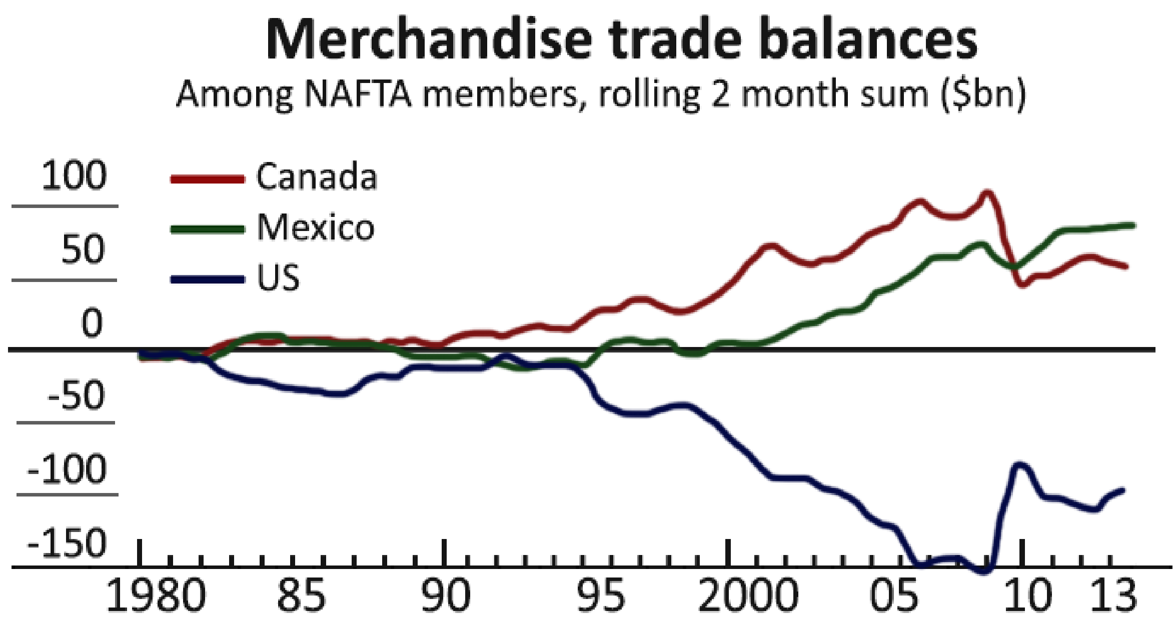
3. The North American Free Trade Agreement in Retrospective

Was NAFTA worth it?

The North American Free Trade Agreement (NAFTA) went into force nearly 25 years ago. During its period of existence, many, including the current president of the United States, Donald Trump, have criticized the deal. Since the agreement was made two decades ago, in an economic context that was vastly different from the current one, with no doubt, changes are needed in order for the agreement to compensate for the economic transformations of the 21st century.

However, in 2017, with allegations that NAFTA was not a sustainable agreement to the United States, **President Donald Trump has repeatedly threatened to shut down NAFTA**. Since his presidential campaign, Trump has frequently criticized the North American Free Trade Agreement, claiming that, if he was elected, one of the first actions he would take would be terminating NAFTA once and for all. Nevertheless, since so many areas are affected by the agreement, economists suggest otherwise.

Figure 13 – Trade balances among NAFTA members

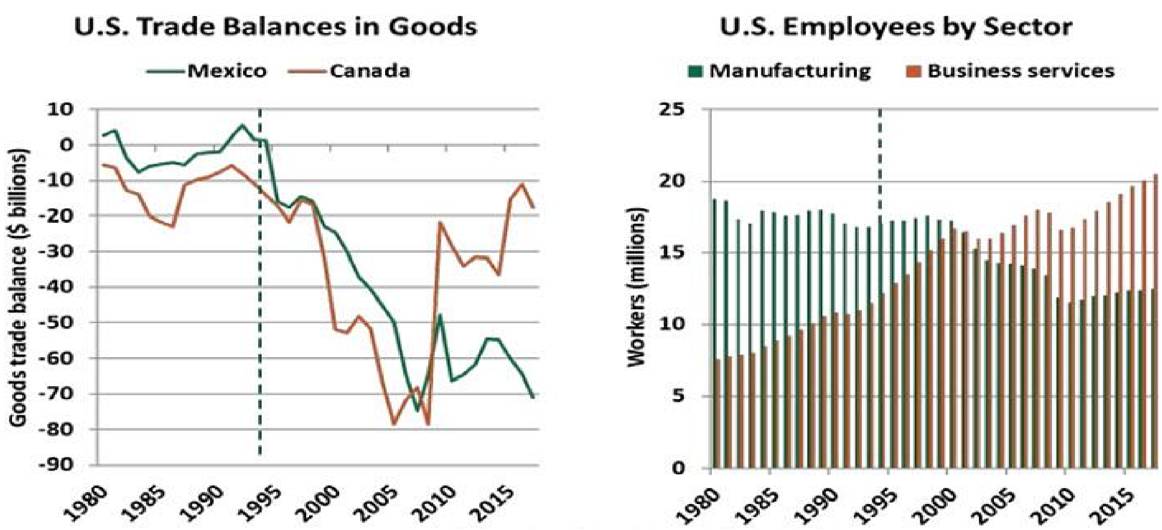


Source: created by the authors.

The agreement definitely has its flaws, with six main disadvantages commonly pointed out by critics:

First, there are indications that NAFTA led to **direct job losses**, mainly in the United States. The 2011 report from the Economic Policy Institute estimated a loss of 682,900 jobs, which, although the estimated job gains surpass this number, certain sectors such as the manufacturing, automotive, textile, computer, and electrical appliance were severely impacted by unemployment, as it can be observed on the graphic below:

Figure 14 – Job losses caused by NAFTA



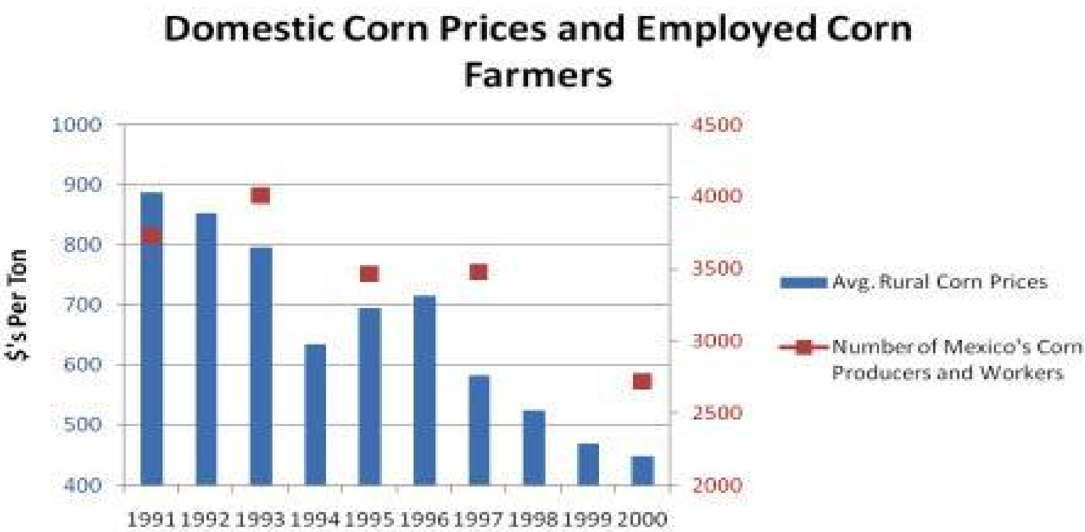
Source:
https://www.northerntrust.com/insights-research/detail?c=6d19fe23b0113c4d1c3696ad9eb2a7bf

However, in areas where many jobs were created, such as Mexico, **farmers were working in substandard conditions** in what was known as the maquiladora program, which is when American companies employ Mexican workers near the border. In that context, due to different labor standards throughout the three countries, **job migration suppressed wages**. In order to prevent workers from entering syndicates, companies would threaten to move to Mexico, thus, workers could not bargain for better wages.

The idea of entering Mexico was taken by numerous American companies, and with that, in order to keep costs low, **many of these companies degraded the Mexican environment**. Agribusiness in Mexico started to use more fertilizers and chemicals, resulting in increased pollution.

As NAFTA allowed U.S. government subsidized farm products into Mexico, many **Mexican farmers were put out of business** because they could not compete with the subsidized prices. Because of that, 1.3 million farmers became unemployed, forcing many to cross the border illegally to find work.

Figure 15 – Impact of U.S. businesses on Mexican farmers



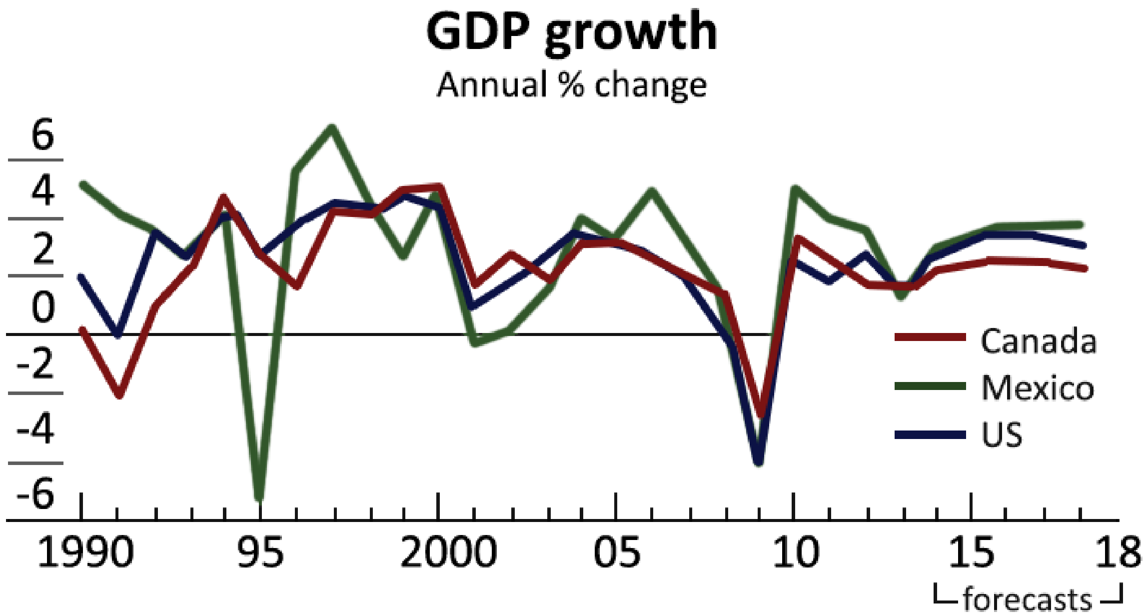
Source: http://www.prospectjournal.org/

Lastly, also regarding the border, NAFTA **allowed Mexican trucks access into the United States**, which were not held to the same safety standards as American trucks, meaning there was yet another opening for illegal border crossing.

On the other hand, the agreement also led to six notable advantages, such as:

The main advantages of the North American free trade agreement are, undoubtedly, the shifts in economic relations between the member countries. According to a report made by the Congressional Research Service from 2017, **the deal did more than tripled the trade** between Mexico, Canada, and the United States, mainly due to a reduction of trade tariffs. Thereby, the agreement also **increased economic output** with direct impact in GDP growth for the three countries.

Figure 16 – GDP growth among NAFTA members



Source: created by the authors.

As trade grew stronger between these nations, direct effects were observed with the implementation of NAFTA. Mainly, due to tariff eliminations, **NAFTA helped to lower prices**, particularly U.S. oil imports from Mexico, which consequentially reduced gas prices - also lowering food prices because of a reduction in transportation cost.

The implementation of NAFTA **also helped to increase competition between the countries** by helping with government spending, as it allowed government contracts to become available to suppliers in all three-member countries. Sub sequentially, with greater competition and steady growth, the agreement **created several jobs**, with an estimation from the 2010 report from the Economic Policy Institute of 5.4 million jobs created directly by NAFTA, and 17.7 million jobs created indirectly due to trade between these countries.

Finally, also because of a higher integration between the member countries**, foreign direct investment (FDI) more than tripled**, with the U.S. FDI in Mexico going from $15.2 billion in 1993 to $104.4 billion in 2012, and from $69.9 billion in Canada in 1993 to $352.9 billion in 2015. Mexico also had a massive increase over the same period, with FDI in the U.S. going up to 1283%, and Canada had quite an improvement with FDI increasing by 911%.

3. 1. The Renegotiation of NAFTA: A new perspective

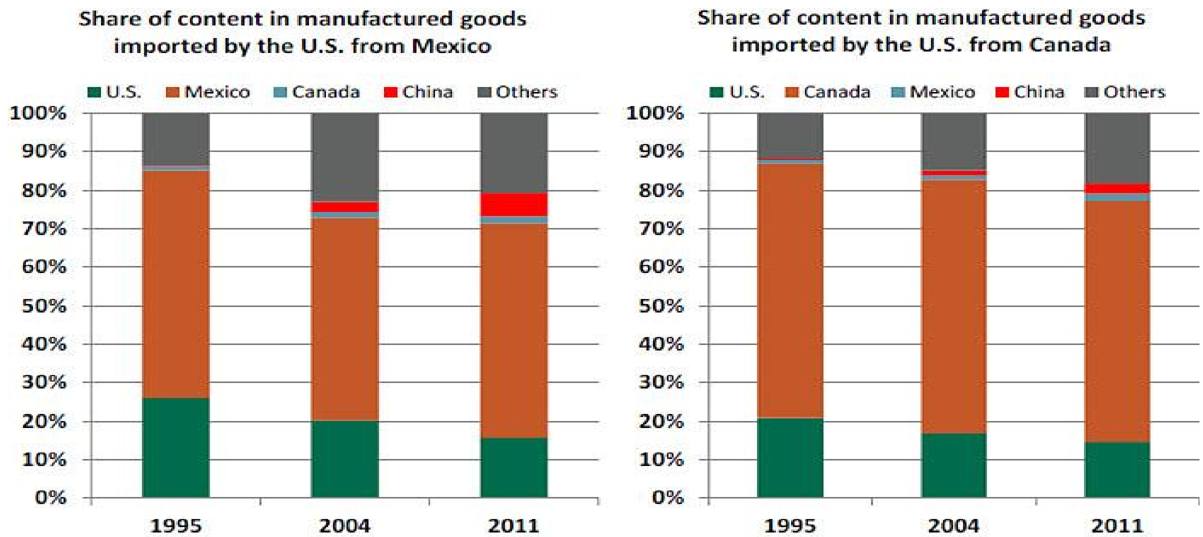
NAFTA Renegotiations - an attempt to a fresh start

As previously mentioned, on August 16, 2017, after repeated threats made by Donald Trump to withdraw from the North American Free Trade Agreement, the United States, Canada and Mexico began negotiations to discuss the future trade relations between NAFTA members.

From that, a new deal named the 'United States-Mexico-Canada Agreement' emerges, and it now needs to settle on actions that can serve the interests of each country during the negotiations. The agreement still stands for NAFTA's main objective - improving economic integration between the member countries through features like tariff cuts, but now it also needs to adapt to the current socioeconomic background while seeking for solutions for issues generated by NAFTA, such as:

- **International Trade**: China will be an important factor for the negotiations since Chinese content in Mexican and Canadian products has increased steadily from 1995 to 2011, and, due to the current **Commercial War** between the U.S. and the country, this concerns the Trump administration, which is seeking to rebalance trade relationships with China.

Figure 17 – Relation of trade between China and NAFTA members



Source:
https://www.northerntrust.com/insights-research/detail?c=6d19fe23b0113c4d1c3696ad9eb2a7bf

- **Agriculture**: The U.S. wants Canada to **remove entry barriers**[4] to its agriculture sector (particularly its protected dairy industry). The U.S. would also like the ability to impose temporary restrictions against Mexican fruit and vegetable imports if conditions permit it.

- **Government procurement**: The U.S. seeks to cap the combined value of Federal contracts available to Canadian and Mexican bidders at no more than the sum of the value of contracts U.S. firms win in Canada and Mexico.

- **Trade dispute settlement**: The U.S. wants the Chapter 19 system, which deals with complaints about illegal subsidies and **dumping**[5], to be dropped and the investor-state dispute settlement system to be voluntary. Companies are seen opposing such a step.

- **Sunset clause**: Although NAFTA already has an exit clause allowing any country to quit with six months' notice, the U.S. wants a clause specifying that NAFTA will expire in

[4] Some products, such as Canada's **dairy** and the U.S. **tobacco**, **peanuts** and **sugar** never entered NAFTA's list of products with decreased taxes, meaning that - for example - **when the U.S. wants to enter Canada** to sell its dairy products, it **has to pay high tariffs for it**, even being part of the Agreement.

[5] Dumping is the practice of **selling goods** in another country **so cheaply** that companies in that country **cannot compete fairly**.

five years unless the three countries agree to extend it. This has the potential to induce uncertainty and adversely influence long-term investment decisions.

- **Auto rules of origin**: For cars sold in the U.S., Washington is asking that 75% of the vehicle's parts be North American, a major increase from the current 62.5%. The U.S. had also suggested that 50% of each car sold be composed of U.S. content, but that requirement has been dropped.

The Interests of each country in the Renegotiation

United States

Main goal:

The Trump administration wants to **reduce the trade deficit** — making sure that the US is not importing much more than it exports. Right now, the United States has a small trade surplus with Canada ($12.5 billion), so the administration is not worried about that. Its concern is with Mexico. The US had a **$59 billion trade deficit with Mexico in 2016**.

Some of Trump's economic advisers think that cheap imports — in this case, from Mexico — are responsible for hurting US manufacturers and therefore US factory workers. Mainstream economists do not think a trade deficit is bad for the US economy, and they doubt that slapping tariffs on imports will do much to reduce it.

Among America's top goals:

- Improve the trade balance in goods, specifically;
- Add transparency to customs laws and regulatory implementation - Make Canada **lower its tariffs on dairy products**, mainly;
- Streamline and automate import/export/transport processes;
- Tighten rules of origin on exports;
- Promote small and mid-sized firms;

- Abolish dispute-resolution mechanism (Chapter 19);
- Prevent currency manipulation;
- Improve labor and environmental standards.

Advantages:

- Trump has threatened to leave NAFTA altogether, and that possibility could make Mexico and Canada more willing to make concessions.

- In addition, while millions of jobs in all three countries depend on NAFTA, Mexico stands to lose the most jobs if it becomes too expensive for US companies to operate there. Hundreds of thousands manufacturing jobs in Mexico depend directly on the free-trade deal.

Canada

Main goal:

Canada's main goal is to stop the United States from **slapping tariffs** on the goods they have been trading freely for decades. The Canadian softwood lumber industry and Canadian energy companies depend a lot on free trade with the United States. Canada is particularly concerned about the administration's goal to put an end to what is known as **NAFTA's Chapter 19 provision**.

This section of the deal created a special settlement process that allows all three countries to challenge any duties one country might add on certain imports. Under international trade rules, a country can slap duties on imports that are intentionally sold at below-market prices or that are unfairly subsidized by the exporter's government.
The Trump administration has been using these laws to go after what it considers unfair trade practices, and ending Chapter 19 would make it a lot easier to do so.

Among Canada's top goals:

- Maintain free trade;
- Increase access for business travelers;
- Improve labor and environmental standards;
- Improve the mechanics of trade;
- Inclusion of policies regarding gender equality.

Advantages:

- Canada is **the largest export market for American-made goods**, therefore, the United States does not want to make its northern neighbor mad. About 19 percent of US exports end up there.

- Canada also **imports more from the United States** (mostly auto parts and heavy machinery) **than it exports** to the United States, which is exactly the kind of trade balance the Trump administration likes.

- If the US goes too far with its protectionist measures, **Canada could retaliate by restricting US imports**, which would seriously hurt US manufacturers.

- This illustrates the biggest challenge for the Trump administration in rewriting the trade deal. Because all three economies have become so interdependent, any move to restrict imports could do serious damage to US manufacturers and businesses that depend on those two markets.

Mexico

Main goal:

Mexico wants to make sure the United States **does not impose unfair tariffs on its products**, or make it easier to do so in the future. The whole point of NAFTA was to create a tariff-free zone where businesses in all three countries could import and export products **without extra costs**.

However, as previously mentioned, the Mexican economy is **highly dependent on trade with the United States**, with the U.S. purchasing about 80 percent of all Mexican exports.

Among Mexico's top goals:

- Maintain free trade;
- Increase access for business travelers;
- Improve labor and environmental standards;
- Improve the mechanics of trade;
- Promote small and mid-sized firms;
- Inclusion of policies regarding gender equality;
- Resolve the issue regarding workers' rights in the maquiladoras.

Advantages:

- Mexico has **more than a dozen bilateral free-trade deals**, which would make it easier for the country to **shift trade to Europe and Latin America**. It would take time, but Mexico could strengthen those relationships if it decides trade with the United States becomes too costly. For example, Mexico's trade minister Luis Videgaray is trying to work out a **trade deal with China**.

- Another thing Mexico has on its side: It is the **second-largest international market for American goods**, with about 16 percent of US exports headed south of the border. In particular, the US auto and agriculture industries have a major stake in free trade with Mexico.

- For instance, **Mexico buys many American corn products** — about three-quarters of all high-fructose, corn syrup exported from the United States is sold to

Mexico. The US auto industry also relies heavily on car parts from Mexico for its factories in Detroit.

- Both of these industries have **powerful lobbyists in Washington**, and they will put a lot of pressure on Republicans in Congress to reject any deal that would **restrict their access** to the Mexican market.

Table 2 – Interests of each countries in the USMCA

GOALS	UNITED STATES	CANADA	MEXICO
Maintain free trade	✓	✓	✓
Reduce the trade deficit	✓		
Increase access for business travelers		✓	✓
Abolish dispute-resolution mechanism	✓		
Improve labor and environmental standards	✓	✓	✓
Improve the mechanics of trade	✓	✓	✓
Tighten rules of origin on exports	✓		
Prevent currency manipulation	✓		

Promote small and mid-sized firms	✓		✓
Include gender rights		✓	✓

Source: created by the authors.

4. The Negotiation Teams and their Priorities

THE UNITED STATES' NEGOTIATION TEAM

Wilbur Ross - Commerce Secretary

Figure 18 – Wilbur Ross

Source: Wikipedia Commons

In the year of 2017, Wilbur Ross entered the position of U.S. Secretary of Commerce, becoming responsible for the promotion of job creation and economic growth of the United States, through the means of fair and reciprocal trade with other countries, setting standards for economic research and development.

In his early life, Wilbur Ross enrolled at Yale University to complete his Bachelor of Arts degree and later entered Harvard University to pursue his Masters of Business Administration degree.

Ross began his finance career in 1976 as a corporate bankruptcy and restructuring specialist at Rothschild Inc., an investment firm, and in 1997 he founded WL Ross & Co., which later would become a giant company that ended up purchasing and funding companies such as the International Steel Group in 2002, the International Coal Group in 2004, the International Textile Group also in 2004, and the International Automotive Components Group, in 2006.

Due to his experience dealing with companies close to bankruptcy, Ross defends that the United States should take more protectionist rules in relation to trade and foreign competition, and has declared that, with the goal of solidifying relationships in the American territory, NAFTA will be one the main things he and President Donald Trump will have to discuss.

Fair Labor Association – U.S. Workers Union

Figure 19 – F.L.A.

Source: Wikipedia Commons

The Fair Labor Association (FLA), based on Washington D.C, is a collaborative effort of universities, civil society organizations and socially responsible companies dedicated to protect workers' rights around the world.

FLA places the onus on companies to voluntarily meet internationally recognized labor standards wherever their products are made.

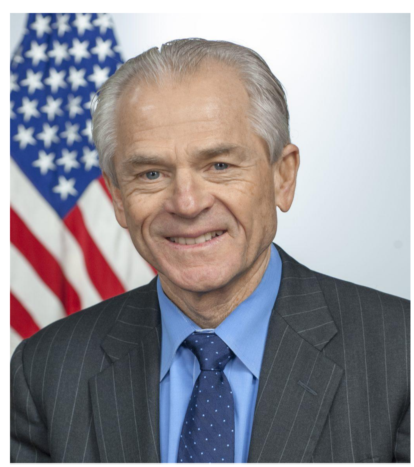
Their goal is to offer a collaborative approach to many organizations in order find effective solutions to labor issues; strategies and resources which are innovational to help companies improve compliance systems; transparency amongst the tools used to evaluate job candidates; and mechanisms to address the most serious labor rights violations through the Third Party Complaint process.

Peter Navarro - Director of Trade and Industrial Policy

Born on July 15, 1949, Peter Kent Navarro is an American economist who currently serves as the Assistant to the President, and Director of Trade and Manufacturing Policy.

Originally serving as a Deputy Assistant to the President, and Director of the White House National Trade Council, a new role established by executive order on April 29, 2017.

Figure 20 – Peter Navarro



Source: Wikipedia Commons

Earlier in his life, Peter Navarro went to Tufts University on a full academic scholarship, graduating in 1972 with a Bachelor of Arts degree.
Then, he spent three years in the U.S. Peace Corps, serving in Thailand, earning a Master of Public Administration from Harvard University's John F. Kennedy School of Government in 1979, and a PhD in Economics from Harvard under the supervision of Richard E. Caves in 1986.

Sonny Perdue - Agriculture Secretary

Figure 21 – Sonny Perdue

Source: Wikipedia Commons

Selected by President Donald Trump, on January 18, of 2017, George Ervin, "Sonny" Perdue, is the current secretary of agriculture, which means he is the new one responsible for providing "leadership on food, agriculture, natural resources, rural development, nutrition, and related issues based on public policy, the best available science, and effective management.
In his early life, Perdue served in the U.S. Air Force, earned bachelor's degree as Doctor of Veterinary Medicine (D.V.M.) from the University of Georgia and worked as a veterinarian before becoming a small business owner.
Perdue starts his political carrier as a member of the Georgia State Senate from the 18th district from January 9, 1991, to January 9, 2002 - later serving as the 81st governor of Georgia from January 13, 2003, to January 10, 2011.
Due to his experience as politician, his thoughts upon the NAFTA’S renegotiation is very clear, a great example of it is on January 8, 2018, while speaking at the American Farm Bureau Federation's annual convention in Nashville, Tenn, Perdue urged Canada to complete an update to NAFTA, he said, "To get a deal we need all sides to seriously roll up our sleeves and get to work. We have put a number of proposals on the table to modernize NAFTA, and critically for agriculture, to address key sectors left out of the original agreement — dairy and poultry tariffs in Canada".

Robert Lighthizer - U.S. Trade Representative

Figure 22 – Robert Lighthizer

Source: Wikipedia Commons

Named as the current U.S. trade representative (USTR), by Donald Trump, on January 3, 2017, Robert Lighthizer has an extensive experience striking agreements that protect some of the most important sectors of the U.S.A economy, and he has repeatedly fought in the private sector to prevent bad deals from hurting Americans.

His academic, professional, and political carrier, are consolidated in some main aspects, with the acquisition of his bachelor's degree from Georgetown University, in 1969, and in 1973 when he earned Juris Doctor from Georgetown University Law Center.

Then after many years he practiced law at Skadden, Arps, Slate, Meagher, & Flom LLP, besides the fact that he served as a deputy USTR during the Reagan administration, until nowadays, with a pleased professional position, as the U.S trade representative. Due to his professional occupation, on NAFTA'S renegotiation debate he has a meaningful relevance that leads to the definitive decisions and sordid actions.

John M. Melle - Assistant U.S. Trade Representative

Figure 23 – John Melle

Source: Wikipedia Commons

Assistant U.S. Trade Representative for the Western Hemisphere, John M. Melle was appointed to his position in March 2011.

In his current occupation, Melle is responsible for developing, coordinating and implementing the United States' trade policy for the region.

This includes oversight of trade agreements with Canada and Mexico, Chile, Central America and the Dominican Republic, Peru, Colombia and Panama, as well as bilateral trade issues with Brazil, Argentina and the remainder of South America and the Caribbean.

Melle is also responsible for the Caribbean Basin Initiative (CBI), an U.S. trade preference program with Caribbean countries.

Since joining USTR in 1988, Mr. Melle has held a number of positions covering Mexico, Canada, the Caribbean and Central America and the Generalized System of Preferences (GSP) program.

Mr. Melle entered Federal government service as a Presidential Management Intern and spent his first two years in government service at the Policy, Planning and Analysis Office at the U.S. Department of Energy. In his earlier life, he graduated and received a B.A. in history from Haverford College and a Master of Public Policy from the University of Michigan.

Donald J. Trump - President of the United States

Born in Queens, New York, in 1946, Donald John Trump is the 45th and current President of the United States of America.

In his early life, Donald Trump attended New York Military Academy (1959–64), a private boarding school; Fordham University in the Bronx (1964–66); and the University of Pennsylvania's Wharton School of Finance and Commerce (1966–68), where he graduated with a bachelor's degree in economics.

Upon his graduation Trump began working full-time for his father's business, helping to manage its holdings of rental housing, then estimated at between 10,000 and 22,000 units.

Figure 24 – Donald Trump

Source: Wikipedia Commons

In 1974, he became president of a conglomeration of Trump-owned corporations and partnerships by transforming his father's business through investments in luxury hotels and residential properties, which he later named the Trump Organization.

In his professional career, Trump was a real-estate developer and executive who owned, managed, or licensed his name to several hotels, casinos, golf courses, resorts, and residential properties in the New York City area and around the world. Trump has an estimated net worth $3.1 billion approximately, according to Forbes, making him the first billionaire to become president of the United States.

Auto Alliance - Alliance of Automobile Manufacturers

The Auto Alliance is a Federation of Automobile Manufacturers committed to developing and implementing constructive solutions to public policy challenges that promote sustainable mobility and benefit society in the areas of environment, energy and motor vehicle safety.

The Auto Alliance, or the leading advocacy group for the auto industry, represents automakers who build 70% of all cars and light trucks sold in the U.S., including BMW Group, FCA US LLC, Ford Motor Company, General Motors, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group of America and Volvo Car USA.

Headquartered in Washington, DC, the Alliance also has offices in Sacramento, California and Detroit, Michigan. Their main goals are based on the leadership, development and implementation of policies which enable the introduction of new technologies needed to support sustainable mobility.

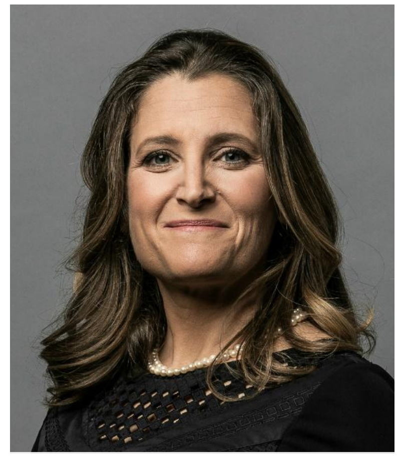
Figure 25 – Auto Alliance

Source: Wikipedia Commons

CANADA’S NEGOTIATION TEAM

Chrystia Freeland - Minister of Foreign Affairs

Figure 26 – Chrystia Freeland



Source: Global Affairs Canada

Appointed in 2017 as Canada's Minister of Foreign Affairs, Chrystia Freeland currently holds the responsibility for overseeing the federal government's international relations, the International Development Research Centre and the International Centre for Human Rights and Democratic Development.

Chrystia Freeland received her undergraduate degree from Harvard University before continuing her studies on a Rhodes Scholarship at the University of Oxford, and later became an esteemed journalist and author, working in a variety of editorial positions at the Financial Times, The Globe and Mail and Thomson Reuters.

In 2010, Freeland joined Canadian-owned Thomson Reuters, where she would become the managing director of the company and editor of Consumer News until she decided to return to her hometown and enter politics.

Chrystia Freeland then ran for the Liberal Party nomination to become a Member of Parliament, being elected with the majority of votes (49.8%). Two years later, in 2015, Freeland got appointed to the Cabinet of Canada as Minister of International Trade, becoming responsible for leading the Canadian foreign ministry and the international trade portfolio, with great experience in the organization of trade agreements.

Kirsten Hillman - Canada's Deputy Ambassador to the U.S.

Figure 27 – Kirsten Hillman

Source: Wikipedia Commons

Kirsten Hillman is the current Deputy Ambassador in Canada's Embassy to the United States of America, joining the position in 2017, after holding the status of Assistant Deputy Minister of the Trade Agreements and Negotiations Branch at Global Affairs Canada.

Kirsten's academic life is based on the conclusion of her Bachelor of Arts degree at the University of Manitoba, in 1989, and her Bachelor of Civil Law and Bachelor of Common Law degrees at McGill University, in 1993.

In her professional career, Kirsten has held various positions at home and abroad, including Director General at the Trade Policy Bureau and Senior Legal Adviser at the Permanent Mission of Canada to the World Trade Organization (WTO) in Geneva.

Kirsten has also represented Canada as lead counsel before panels at the Appellate Body of the World Trade Organization and managed Canada's international investor-state arbitration under the North American Free Trade Agreement (NAFTA).

David Usher - Minister-counsellor and Deputy permanent Representative

Figure 28 – David Usher

Source: Wikipedia Commons

David Usher is the current General Director of Trade Negotiations in Global Affairs Canada, since 2015.

Since his earlier life, David consolidated an honorable résumé with a Bachelor of Arts in Honors History at Carleton University, in 1979, a Bachelor of Education in the University of Ottawa, in 1980, and a Master's degree of Education at the University of Toronto, in 1986.

In his professional career, prior to joining the public service in 1991, he worked in the field of development in Nigeria, Malawi, Haiti and the Philippines. In 1991, David joined External Affairs and International Trade Canada as a Trade Commissioner.

David served as Second Secretary at the Embassy in Turkey, from 1994 to 1997, becoming a Counsellor at the Permanent Mission of Canada to the World Trade Organization, in Geneva, in 2001. From 2004 to 2008, David was the Director of the Trade Controls Policy Division and then of the Softwood Lumber Controls Division. David worked as a Senior Departmental Adviser in the Office of the Minister of International Trade, in 2009.

Later in his life, David served as Minister-Counsellor and Deputy Permanent Representative at the Permanent Delegation of Canada to the Organization for Economic Co-operation and Development, in Paris, from 2009 to 2012, and lastly, he served as Ambassador to Ethiopia, Djibouti and Permanent Observer to the African Union, from 2012 to 2015.

Steve Verheul - Canada's chief NAFTA Negotiator

Steve Verheul is the current chief trade negotiator for Canada's Department of Foreign Affairs. In his early life, Verheul graduated on the University of Western Ontario in 1984, after obtaining a Bachelor of Arts degree and a Master of Arts degree in Political Science, building up his academic curriculum. In his professional career, prior to the position of the chief trade negotiator, Verheul worked on an international trade policy at Agriculture and Agri-Food Canada from 1989 to 2009, where he also too part in the NAFTA negotiations, the Uruguay Round of Multilateral Trade Negotiations - that led to the World Trade Organization (WTO), and in the Doha Round of WTO negotiations.

Figure 28 – David Usher

Source: Wikipedia Commons

He was also Canada's Chief Agriculture Negotiator from 2003 to 2009, responsible for leading Canada's involvement in international trade negotiations on agriculture, including the WTO. In early 2009, Verheul was appointed as Canada's Chief Trade Negotiator for negotiations between Canada and the European Union in the Department of Foreign Affairs and International Trade.

Rona Ambrose - Leader of the Conservative Party

Figure 29 – Rona Ambrose

Source: Wikipedia Commons

Born on March 15, in 1969, at Valleyview, Canada, Ronalee Chapchuk "Rona" Ambrose is a Canadian politician who is an interim leader of both the Conservative Party of Canada and the Official Opposition.

In her early life, Ambrose acquired a Bachelor of Arts in women's and gender studies on the University of Victoria and a Master of Arts degree in political science on the University of Alberta.

Rona has been the member of the House of Commons for the Conservative Party in Sturgeon River, Parkland, since 2015, previously representing Edmonton, Spruce Grove, from 2004 to 2015.

In previous parliaments, Ambrose was Canada's Minister of Health and vice-chair of the Treasury Board cabinet committee. Before that, she has held various positions such as the Minister of the Environment, Minister of Intergovernmental Affairs, Minister of Western Economic Diversification, President of the Queen's Privy Council for Canada, Minister of Labor, Minister of Public Works and Government Services Canada, and Minister for Status of Women.

Kendal Hembroff - Director General at Global Affairs Canada

Figure 30 – Kendal Hembroff

Source: Wikipedia Commons

Kendall Hembroff is the Director of Trade Policy and Negotiations for Asia Global Affairs Canada. Before taking this position, Hembroff was the Consul and Senior Trade Commissioner to the Consulate General of Canada in Hong Kong, a role to which she was appointed in August 2011.

In her early life, Hembroff completed her Bachelor of Arts studies at the University of Manitoba, and held a Master of Arts degree at Carleton University in International Affairs with a specialization in International Political Economics.

Hembroff led a number of Canada's bilateral and regional trade negotiations, including those toward Canada's Free Trade Agreements with Korea, Singapore, Panama and Costa Rica. Prior to her current role, she has held a number of positions within the Trade Policy and Negotiations Branch at the Department of Foreign Affairs and International Trade in Ottawa, most recently as the Director of the Services Trade Policy Division, where she was Canada's Lead Negotiator for the WTO General Agreement on Trade in Services.

Justin Trudeau - Canadian Prime Minister

Born on December 25, 1971, in Ottawa, Canada, Justin Pierre James Trudeau or "Justin Trudeau" is the current Canadian Prime Minister.

In his early life, Trudeau studied literature at McGill University, earning his bachelor's degree in 1994. After that, Trudeau would pursue a degree in education at the University of British Columbia, finishing his studies in 1998.

Figure 32 – Justin Trudeau

Source: Wikipedia Commons

Since his father Pierre Trudeau held the position of prime minister in the 1970's and 1980's, Justin Trudeau has always been immersed in Canadian politics, winning in 2006 the Liberal Party nomination in the Montréal riding of Papineau. Trudeau was elected as prime minister in 2008, and re-elected in 2011 and 2015, with positive feedback regarding his government. With Justin's leadership, the Liberal plan emphasized fair economic opportunity for everyone, respect for and promotion of freedom and diversity, and a more democratic government that truly represents Canadians.

Before going into politics, after working as a substitute teacher in Coquitlam, BC, he found a permanent position at West Point Grey Academy, a private school in Vancouver, where he primarily taught French and Math. Eventually he moved to the public school system, teaching at Sir Winston Churchill Secondary School in Vancouver. Some years after, in his Advocacy work, Trudeau first became active on several public issues, beginning in Vancouver, after his brother's death, he worked to increase avalanche awareness, becoming a director of the Canadian Avalanche Foundation and helping to establish the Canadian Avalanche Centre. He also served as a director of the Katimavik youth volunteer service program, eventually becoming chair of the board.

Unifor – Canada's Labor Union

Figure 33 – Unifor

Source: Wikipedia Commons

Founded in 2013 as a merger of the Canadian Auto Workers and Communications, Energy and Paper workers unions, Unifor is a general trade union in Canada and the largest private sector union in Canada, consisting of 310,000 workers and associate members in industries ranging from manufacturing and media to forestry and fishing.

Unifor strives to protect the economic rights of our members and every member of the workforce (employed or unemployed).

Unifor is committed to building the strongest and most effective union to bargain on behalf of their members, working with the members to improve their rights in the workplace, and extending the benefits of unions to non-unionized workers and other interested Canadians.

FCPC – Food and Consumer Products of Canada

Figure 34 – FCPC

Source: Wikipedia Commons

The Food and Consumer Products of Canada (FCPC) association is comprised of Canadian-operated member companies that manufacture and market private label and national brands sold through retail and foodservice outlets. This industry represents more than $86 billion sales annually and is the largest employer in the manufacturing sector in Canada, employing close to 300,000 Canadians across the country.

The FCPC was founded almost 50 years ago to provide legal, scientific, communications and political expertise to public policy, trade, supply chain and manufacturing issues that face the industry. FCPC works with government, regulatory bodies, retail and foodservice trading partners and stakeholders to find collaborative solutions on issues of importance to Canadians including food safety, innovation, supply chain efficiencies, health and wellness and food labelling, among them.

FCPC currently represents the manufacturers of foods such as Value-added meat, poultry, fish, fruit, vegetable, dairy, cereal grain products, confectionery, baking ingredients and snacks, beverages such as Milk, fruit juices, tea, coffee, soft drinks, bottled water and baby formula and consumer goods such as Soaps and detergents, paper, health, beauty and personal care products, household batteries, magazines, over-the-counter drugs and pet foods.

MEXICO'S NEGOTIATION TEAM

Luis Videgaray – Mexico's Secretary of Foreign Affairs

Born in Mexico City on August 10, 1968, Luis Videgaray Caso is the current Secretary of Foreign Affairs of Mexico, being responsible for implementing the country's foreign policy.

Figure 35 – Luis Videgaray

Source: Wikipedia Commons

With a Bachelor of Arts in Economics from the Instituto Tecnológico Autónomo de México (ITAM) and a PhD in Economics with a specialization in public finance from the Massachusetts Institute of Technology (MIT), Videgaray has more than 25 years of experience in public administration.

Before holding his current position, Videgaray helped Enrique Peña Nieto with his presidential campaign and led the presidential transition team, later serving as Secretary of Finance and Public Credit from 2012 to 2016.

The many positions he has held include advisor to the Secretaries of Energy and Finance and Public Credit; Director of Public Finance at Protego, SA; Finance Secretary of the State of Mexico; and Federal Deputy in the 61st Legislature, in which he served as Chairman of the Budget and Public Accounts Commission.

Gerónimo Gutiérrez – Ambassador of Mexico to the United States

Figure 36 – Gerónimo Gutiérrez

Source: Wikipedia Commons

Gerónimo Gutiérrez Fernández was nominated in 2017 as Ambassador of Mexico to the United States.

Gutiérrez holds both a Bachelor of Arts in Economics and a Bachelor of Arts in Political Science from the Instituto Tecnológico Autónomo de México (ITAM) and a Master's in Public Administration from Harvard's John F. Kennedy School of Government.

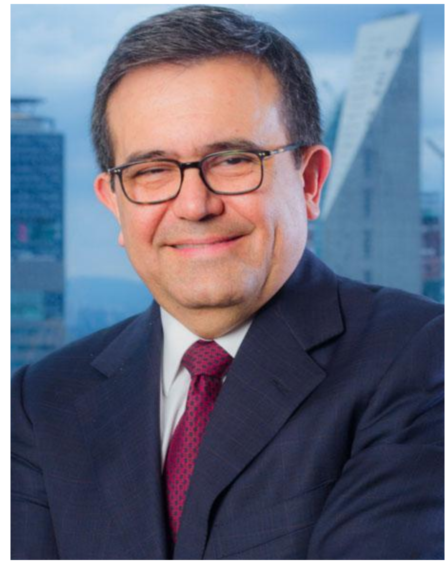
With a diverse 15-year career in the Mexican federal government, Ambassador Gutierrez previously served in prominent positions in the areas of trade, finance, diplomacy and national security under four presidents.

As undersecretary for North America, from 2003 to 2006, he coordinated day-to-day trilateral and bilateral affairs with Mexico's North American partners (the United States and Canada) and supervised the operations of over 50 Mexican consular offices in the region.

Before getting to his current position, in 2016, Gerónimo Gutiérrez Fernandez served as Managing Director of the North American Development Bank (NADB) headquartered in San Antonio, Texas, where his professional activity was focused on infrastructure development and financing along the U.S.-Mexico border.

Ildefonso Guajardo – Mexico's Secretary of Economy

Figure 37 – Ildelfonso Guajardo



Source: Wikipedia Commons

Born in Monterrey, Nuevo León, on April 19, 1957, Ildefonso Guajardo Villarreal is the current Secretary of the Economy since 2012.

Guajardo obtained his Bachelor of Arts in Economics at the Autonomous University of Nuevo Leon and later pursued graduate studies in Economics at the Arizona State University and the University of Pennsylvania.

Guajardo has had a lot of experience in his political career, being Chief Economist of the Brazil Section, and Associate Economist in the Fiscal Affairs Department at the International Monetary Fund (1988-1991), before becoming Director of the North American Free Trade Agreement Affairs Office, based at the Embassy of Mexico in Washington, D. C. (1994).

At the Federal Government, Guajardo has held different positions. From 1994 to 1997 he was Chief Clerk at the Foreign Affairs Ministry; in 1997 he became Undersecretary of Tourism Development; and in 1998 he was appointed Technical Secretary for Planning, Communication, and Liaison for the Trade and Industrial Development Ministry, positioned he held until 1999.

His latest positions were as Federal Congressman for the Second District of Nuevo Leon; Chairman of the Economics Commission; Member of the Treasury and Public Credit Commission; and lastly, before being selected as Secretary of Economy, as President of the Mexico-U.S.A. Friendship Group at the LXI Legislature of the Mexican Chamber of Deputies.

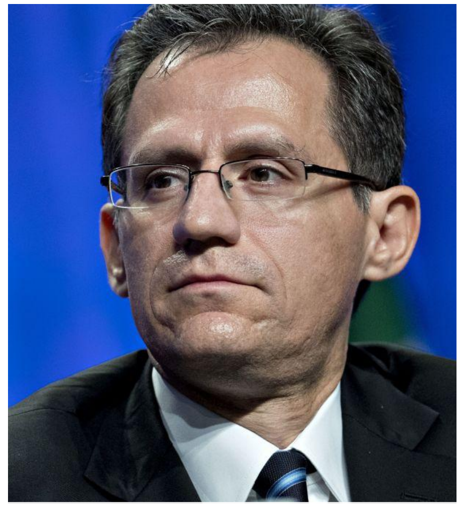
Kenneth Smith Ramos - Director of Trade and NAFTA Office

Kenneth Smith Ramos is currently the Director of the Trade and NAFTA Office at the Embassy of Mexico in Washington, D.C.

Smith has a Bachelor's Degree in International Affairs from Georgetown University and a Master's Degree in International Economy from Johns Hopkins University.

Prior to serving in his current position, Mr. Smith was Coordinator General for International Affairs at the Mexican Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA), where he was responsible for agricultural trade negotiations and international cooperation.

Figure 38 – Kenneth Ramos



Source: Wikipedia Commons

He managed six Foreign Agricultural Offices of Mexico that play a key role in the promotion of Mexican agricultural exports through the participation in international trade shows, and trade missions.

Previously, Kenneth Smith worked as Director-General for International Affairs at the Mexican Federal Competition Commission, as well as in the Ministry of Economy, in which he was Director-General for Assessment and Monitoring of Negotiations.

Moisés Kalach - Representative of the Private Sector

Born in 1973, Moisés Rafael Kalach Balas currently represents Mexico's private sector in trade talks as the director of the Coordinating Business Council (Consejo Coordinador Empresarial, or CCE), being designated as the coordinator of international negotiations of the Mexican private sector by the chairman of the Consejo Coordinador Empresarial, a strategic position that seeks to expand opportunities of trade and investment throughout Mexico's ongoing free trade negotiations.

Figure 39 – Moisés Kalach

Source: Wikipedia Commons

Kalach has previously chaired the Mexican Business Coalition for the Trans-Pacific Partnership (TPP). Some years later, President Peña Nieto appointed him to represent the APEC Business Advisory Council, in 2013.

He also worked as a member of the High-Level Committee for Mexico-China. Kalach has assumed the position of vice president of Kaltex Group, which is a Western Hemisphere-leading company with investments in the manufacture of acrylic fiber, yarns, and woven fabrics, garments, home piece goods, and retail businesses. Lastly, he was the president of the National Chamber of the Textile Industry from 2012 to 2015.

Enrique Peña Nieto - President of Mexico

Enrique Peña Nieto, born in Atlacomulco on July 20, 1966, holds the position of President of Mexico from 2012 to 2018. Having strong relations with Mexico's politics, Nieto has already assumed the position of governor of the state of Mexico from 2005 to 2011.

Figure 40 – Enrique Nieto

Source: Wikipedia Commons

In the year of 1984, Nieto enrolled in the Panamerican University, in which he earned a Bachelor of Arts (BA) degree in legal studies, establishing his first bonds with federal politics when he joined the Institutional Revolutionary Party (PRI). After graduating, he pursued a teaching career in the college of his formation from 1988 to 1990, later changing his professional branch when he assumed positions of lawyers in small companies and national corporations.

Not enough, during his post-graduation in Monterrey, he was appointed to the post of secretary of the National Confederation of Popular Organizations (CNOP) and later became a representative of the convention coordination committee for the Revolutionary Front Municipal Assembly of Youth (FRJ, constituting the youth representatives of the PRI), these being exercised in different districts. In addition, he has held important administrative and legislative state positions in the years prior to his federal inauguration in 2012, gaining experience and trust of representative figures in the executive branch.

Confederation of Mexican Workers (CTM)

The Confederation of Mexican Workers (Confederación de Trabajadores de México - CTM) is currently the largest confederation of labor unions in Mexico.

Figure 41 – CTM

Source: CTM Organization

For many years, it was one of the essential pillars of the Partido Revolucionario Institucional (the Institutional Revolutionary Party, or PRI), which ruled Mexico for more than seventy years.

However, as technocrats increasingly held power within the party, the CTM began to lose influence within the PRI structure in the late 1980s.

The Confederation of Workers of Mexico is a revolutionary, nationalist and majority organization of workers and proletarian classes, which since its foundation is in a permanent struggle for the change of today's society still deeply unjust, with the firm determination to eliminate exploitation and inequality in the distribution of wealth.

Recognizing the unity of the proletariat, it rejects any discrimination by nationality, race, color or religion. Acting in democracy, in freedom, and with full self-determination, the Confederation demands the just distribution of wealth and the exaltation of human dignity for workers, who with their effort and intelligence are an indisputable factor of national development.

5. Conclusion

We, the board of the United States-Mexico-Canada Agreement (USMCA), hope this Study Guide could be helpful in your research for the debates we will be having.

Considering our debates in regard to the creation of a new agreement, we expect that you take into account **all of the events that happened** with the three NAFTA countries **from the beginning of 2016 until the end of 2018**.

As a reminder, the committee will have two active languages - English and Spanish -, which will both have **the same level of importance to the discussions**. However, it is important to state that **you do not have to be able to speak both languages to participate in the debates**, you only need to know one of the languages that will be used.

At last, we hope, above everything, you can **have fun during this experience**, and that it ends up being useful as a way to practice your ability to have discussions in a foreign language.

We hope you enjoy the committee,

USMCA Secretariat

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