

Mexico -US -Canada NAFTA Trade Agreement Reached — A Phony Trade War!

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Trump's 'trade war' with allies, including Mexico-Canada, was and remains a phony trade war. A war of words for the purpose of consumption of Trump's domestic political base before the November midterm elections. Trump has been playing his 'economic nationalism' card that helped win him his election once again. The US-Canada deal will be announced this week as well. Trump will exaggerate and lie about both to his domestic political base, but the terms of both the Mexican and Canadian trade deals will show hardly any change.

US-Mexico Trade Details Before Final Document

As with So. Korea, an early look at the Mexico-US deal late last week showed token changes on autos and steel. No tariffs, just phony quotas on car imports to US. (Trump has recently also quietly exempted other big steel importers to the US (Brazil, etc. from the 25% tariffs he announced last March). Mexico deal details will show few if any tariffs, some quotas well above current actual levels so they have no effect, and the US-Trump backing off the threat to change how disputes are resolved over trade issues. Trump essentially agreeing to the Mexico (and Canada) positions that no changes should be made to the past process.

Mexico has apparently not agreed to slow imports of autos and steel to the US. Just to raise North American auto parts content to 75% from 62.5%, and to raise Mexican auto workers wages to \$16/hr. (but only on 40% of Mexican auto workers)!

Mexico is also bragging of a 'side deal' with US also just signed, outside NAFTA, in which current tariffs get locked in for years to come.

In other words, the US-Mexico agreement is A PHONY TRADE DEAL—just like So. Korea! (Canada will now fall into the same deal. All the talk about separate agreements for Mexico and Canada has collapsed. It has always been just a smokescreen by Trump).

Canada-US Deal Early Look

Late in the day news for Sunday, Sept. 30, is that US and Canada just agreed to a trade deal, with Canada remaining with Mexico in NAFTA. No change in the NAFTA dispute settlement mechanism. Canada agrees to let US dairy farmers access a whopping 3.5% of its market (offset by Canadian price subsidies to them for the 3.5%).

On Autos, Canada agrees to not export more than 2.6 million cars to the US. But Canada only importing 2 million now, so it raise imports another 600,000. Moreover, the 2.6m quota takes effect only if US imposes 25% auto tariffs on Canada and globally as well in the

future—which it will never do. So no tariffs on autos or steel from Canada. And the auto quotas are fictitious.

According to Reuters news service,

“The quota (2.6m) would allow for significant growth in tariff-free automotive exports from Canada above current production levels of about 2 million units”.

And apparently no change in Canada steel and aluminum imports to the US:

“the deal failed to resolve US tariffs on Canada’s steel and aluminum exports, the Canadian Sources said”.

What that means is that Canada keeps importing steel and aluminum to US as before.

Deals show that Trump is desperate to sign something before the November elections, as a show of his ‘economic nationalism’ and ‘America First’ themes. So now So. Korea, Mexico and Canada have agreed to softball deals with the US to changes in their free trade agreements with the US. (Meanwhile Trump backs off threats to Europe and quietly exempts other economies like Brazil from his previously announced steel and aluminum tariffs last March).

Canada and Mexico stock markets surging on the news, and the currencies are rising in the wake of the news of deals reached on trade with both by Trump.

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