

# Chapter 11

NAFTA/USCMA and The World Trade Organization (WTO)

# FTA (Free Trade Agreement)

- Canada took a giant step toward freer trade with the United States in 1989. That year, the **Free Trade Agreement (FTA)** between the two countries came into effect. While the FTA did much to open up trade—removing most remaining **tariffs**—each country had reasons other than tariffs for signing the agreement...
- Since Canada had a much smaller population than the United States, it wanted access to the large US market in order to export its goods and services. In turn, the United States wanted access to Canada's vast natural resources, such as oil, gas, minerals, and lumber, and to Canada's cultural industries, such as the media and publishing industries.
- However, in the negotiations, Canada kept the right to protect its cultural industries and other sectors, such as education and health care. Also, the agreement excluded certain resources, such as water.



# FTA (Free Trade Agreement)

- Once the treaty was announced, it became a source of great controversy in Canada. A wide-ranging group of Canadians, led by the Council of Canadians, opposed the treaty. They argued that the deal would undermine Canada's sovereignty and that Canada would gradually lose its political independence to the United States.
- **Do you think this has happened?**



# FTA -> NAFTA

- In 1994, the FTA was extended to include Mexico. This new agreement was called the **North American Free Trade Agreement (NAFTA)**.
- It created the largest free trade area in the world, with a population in 1994 of 360 million people. Basically, the agreement extended most of the provisions of the FTA to include Mexico. Although Mexico has never been one of Canada's major trading partners, Mexican exports to Canada increased by 200 per cent between 1993 and 2003.
- On the other hand, during the same period, Canadian exports to Mexico increased by 25 per cent.



# NAFTA Today

May 2018 – NAFTA Negotiations

<https://globalnews.ca/news/4188745/nafta-negotiations-outcome-auto-deal/>

*“A moment of truth approaches in the NAFTA negotiations, with the coming days likely to reveal not only whether an agreement is achievable this year, but also how extensive such an agreement might be. Even participants at the negotiating table profess to be in suspense about how the United States will proceed, should it finally secure its much-coveted deal on autos.”*

# NAFTA Today ----> CUSMA

- On November 30, 2018, Canada, the United States and Mexico signed the new Canada-United States-Mexico Agreement (CUSMA), on the margins of the G20 Leaders' Summit in Buenos Aires.
- CUSMA outcomes preserve key elements of this trading relationship and incorporate new and updated provisions that seek to address 21st-century trade issues and promote opportunities for the nearly half a billion people who call North America home.
- <https://www.parl.ca/DocumentViewer/en/43-1/bill/C-4/first-reading>

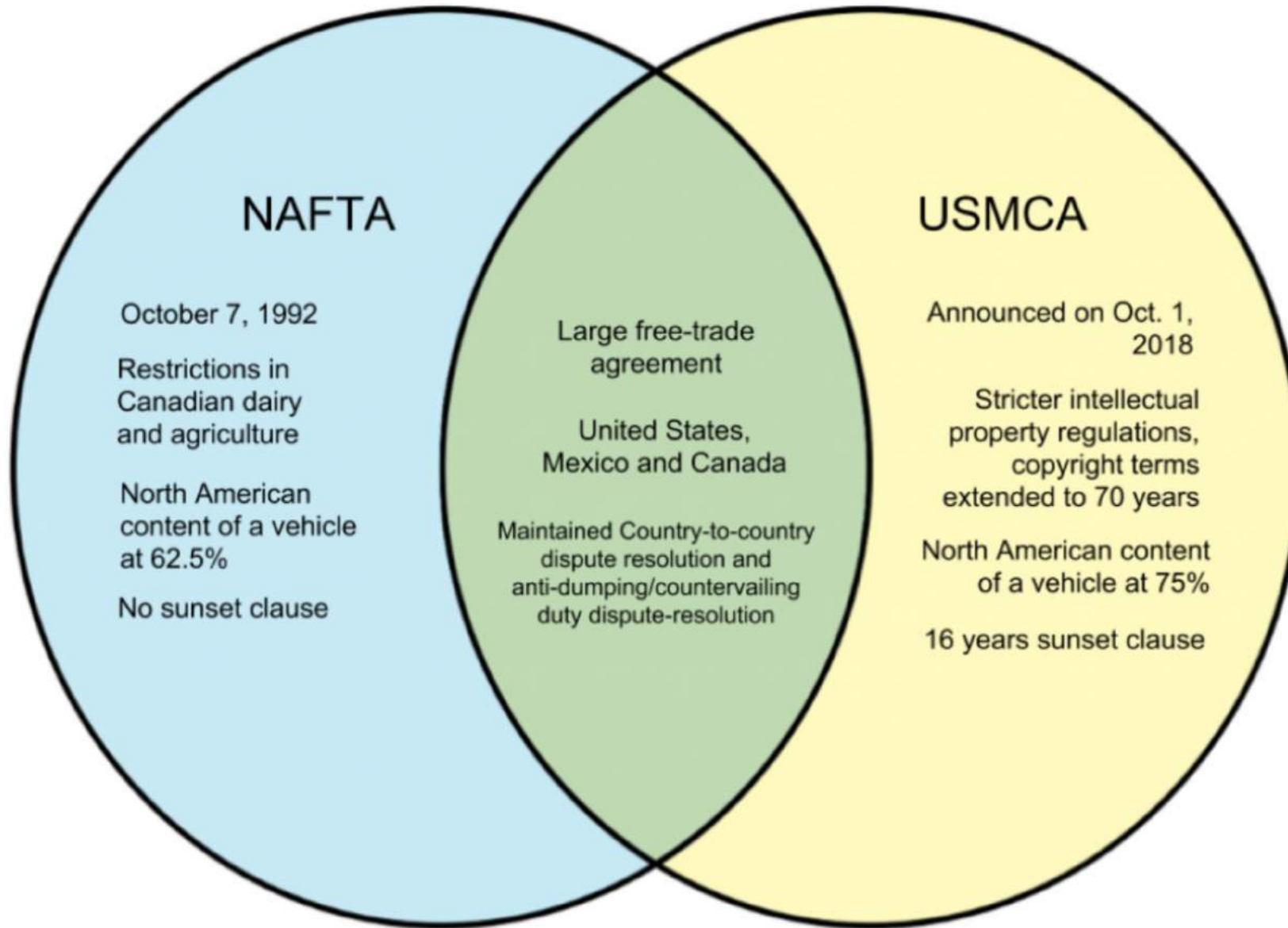
# Wait... CUSMA or USMCA?

- The agreement is referred to differently by each signatory...
  - In the United States, it is called the United States–Mexico–Canada Agreement (USMCA)
  - In Canada, it is officially known as the Canada–United States–Mexico Agreement (CUSMA) in English and the *Accord Canada–États-Unis–Mexique* (ACEUM) in French
  - In Mexico, it is called the *Tratado entre México, Estados Unidos y Canadá* (T-MEC).
- The agreement is sometimes referred to as "New NAFTA" in reference to the previous trilateral agreement it is meant to supersede, the initial agreement

	NAFTA	USMCA
<b>Complete Name</b>	North American Free Trade Agreement	United States-Mexico-Canada Agreement
<b>Signatories</b>	Canada, Mexico and the United States	Canada, Mexico and the United States
<b>Definition</b>	The world's largest free trade agreement that aims for business and career opportunities by reducing tariffs and improving trade between Mexico, Canada and the United States	Also known as the second version of NAFTA, it is a large free trade agreement that aims to make changes in the existing NAFTA for further improvements and perceived benefits
<b>History</b>	Initially introduced by then President George H. W. Bush, then brought up again and formally implemented as "NAFTA" in Oct. 7, 1992 through President Bill Clinton.	The idea of changing NAFTA's name to USMCA and incorporating its changes as announced by President Donald Trump on October 1, 2018. Discussions are still underway
<b>Date Implemented</b>	October 7, 1992	N/A, still a work in progress
<b>Tariffs</b>	Tariffs like automobiles, textiles and agriculture (with the exception of Canadian agricultural goods in the dairy, poultry, egg and sugar sectors) and other originating goods traded between Canada and Mexico were gradually phased out	Tariff elimination tariffs have been tightened to encourage origin parts coming from the signatory countries, access to dairy and markets in Canada have been improved

<b>On steel and aluminum</b>	Tariffs of 25% on imported steel and 10% on imported aluminum, with exemptions for some nations like Canada and Mexico	Exemptions were removed on June 1, 2018 for Mexico and Canada and requests for exemptions were denied by the Trump administration
<b>Intellectual property</b>	Changes in the copyright law of the U.S.	Pharmaceutical companies can maintain patents on biologics for a 10-year term, up from eight years and terms of copyright have been extended from 50 years to 70; stricter rules on piracy and satellite/cable signal theft
<b>Environment</b>	Addition of the North American Agreement on Environmental Cooperation which enforces policies on environmental preservation/protection	Environmental policies have been maintained, although it has been noted that the adjustment in investor-state dispute resolution mechanism may negatively affect the environment
<b>Automobiles</b>	Total North American content of a vehicle must equal 62.5%	Total North American content of a vehicle must equal 75% and 70% of all steel, aluminum, and glass used in the production must come from North America
<b>Sunset clause</b>	No expressed sunset clause	After 6 years, countries will determine if it should be extended to 16 years
<b>Dispute resolution</b>	Country-to-country dispute resolution, anti-dumping/countervailing duty dispute-resolution, and investor-state dispute resolution mechanism	Dispute resolutions remain save for investor-state dispute resolution mechanism which was eliminated but maintained for certain instances between U.S. and Mexico





# Opinions on USMCA

October 2018:

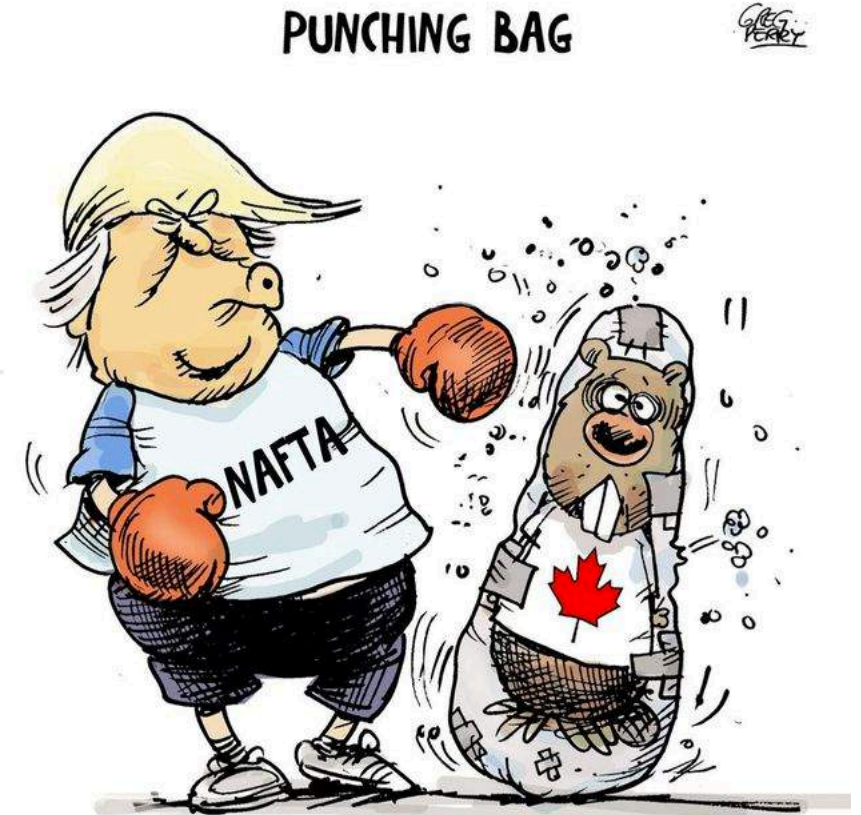
- <https://www.cbc.ca/news/canada/hamilton/ontario-dairy-farmers-usmca-1.4853756>
- <https://www.cbc.ca/news/politics/official-statements-usmca-deal-1.4845897>

April 2019

- <https://www.cbc.ca/news/business/nafta-usma-ratification-1.5088657>

April 2020:

- <https://www.cbc.ca/news/politics/usmca-trade-into-effect-july-one-1.5544883>
- <https://www.cbc.ca/news/politics/usmca-trade-dairy-senator-plett-1.5548699>



# WTO (World Trade Organization)

- The World Trade Organization (WTO) works to improve trade relations among the countries of the world, especially by removing tariffs and other barriers to trade. It is the only international organization dealing with the global rules of trade among countries. Its main purpose is to settle trade disputes among governments and organize trade negotiations and meetings.



WORLD TRADE  
ORGANIZATION

# WTO (World Trade Organization)

- Trade disputes that arise among WTO member countries are brought before special tribunals of trade experts and lawyers. The tribunals decide which country is in the wrong and what that country is required to do to meet WTO regulations.
- Countries that refuse to abide by the rulings can face economic sanctions from other members or be expelled from the WTO.



# Perspectives on the WTO

Advantages	Disadvantages
<ul style="list-style-type: none"><li>✓ The system helps promote peace</li><li>✓ Disputes are handled constructively</li><li>✓ Rules make life easier for all</li><li>✓ Freer trade cuts the costs of living</li><li>✓ It provides more choice of products and qualities for consumers</li><li>✓ Trade raises incomes</li><li>✓ Trade stimulates economic growth</li></ul>	<ul style="list-style-type: none"><li>X May not actually promote peace because it is dominated by businesses in wealthy countries</li><li>X Corporations are put before human rights</li><li>X Harm to the environment because it attempts to deregulate logging, fishing, and water utilities</li><li>X The WTO has been criticized for ignoring the plight of the developing world as the benefits of free trade accrue mostly to the developed world</li><li>X Free trade may prevent developing economies to develop their infant industries (for example, they may be unable to diversify their economy to develop a new manufacturing industry without some tariff protection)</li></ul>



"Despite our differences, it's good to see we can come together over dinner."

Y2K/Janet's Calendar: Send \$12 to Lalo Alcaraz  
400 New Mexico, S.E., A. (a book of 12 days, for \$4.99 (1 day))

Lalo will be signing calendars at the  
Self Help Graphics Xmas Sale: Sun 12.5.99



NAFTA

FREE TRADE AT LAST,  
FREE TRADE AT LAST,  
THANK **GOD** ALMIGHTY,  
WE HAVE FREE TRADE  
AT LAST!

WTO

U.S.  
WORKERS

CORPORATE  
AMERICA

WORKERS  
ABROAD

MASSIVE  
LAYOFFS,  
VANISHING  
WORKER  
RIGHTS

SLAVE  
WAGES,  
NO  
WORKERS  
RIGHTS

Ed Byrnes  
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