

U.S., CANADA AGREE ON FREE TRADE PACT

Relevant for: International Relations | Topic: NAFTA

Canada and the U.S. reached a deadline deal on a new free trade pact that will include Mexico, the governments announced late on Sunday, after more than a year of talks to revamp a pact President Donald Trump had labelled a disaster.

The U.S.-Mexico-Canada Agreement (USMCA) updates and replaces the nearly 25-year-old North American Free Trade Agreement (NAFTA), which Trump had threatened to cancel. The rewrite “will result in freer markets, fairer trade and robust economic growth in our region,” said a joint statement from U.S. Trade Representative Robert Lighthizer and Canada’s Foreign Affairs Minister Chrystia Freeland.

Intense talks

Sunday’s announcement capped six weeks of intense talks. In the end, Canada and the U.S. overcame their differences after both sides conceded some ground, hailing an agreement that covers a region of 500 million residents and conducts about \$1 trillion in trade a year.

“It’s a good day for Canada,” Canadian Prime Minister Justin Trudeau said. Mexican Foreign Minister Luis Videgaray tweeted that the deal was good for his country “and for North America”.

Early on Monday, a copy of the deal’s 34 chapters was posted on the U.S. Trade Representative’s website.

Ottawa will now open its dairy market further to U.S. producers, and — in return — Washington left unchanged the dispute settlement provisions. Under Canada’s supply-managed dairy system, Ottawa effectively sets production quotas and the price of milk, which raises prices to consumers but provides farmers with a stable income. Tariffs of up to 275% have kept most foreign milk out of the Canadian market.

Canada had opposed U.S. demands to weaken or eliminate NAFTA’S dispute resolution mechanism, whose arbitration panels Ottawa used to resolve trade conflicts, and to defend against US anti-dumping and countervailing duties, notably against its important lumber industry.

Alongside changes to the dairy market in Canada, officials said it includes stronger protections for workers, tough new environmental rules, and updates the trade relationship to cover the digital economy and provides “groundbreaking” intellectual property protections. In addition, it adds provisions to prevent “manipulation” of the trade rules, including covering currency values, and controls over outside countries trying to take advantage of the duty-free market, officials said.

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