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## WORLD

# North American Trade Pact Soothes Investors, Businesses

Trump administration turns its focus on getting the deal through a divided Congress and toward even larger economic feuds with China



President Trump spoke about the United States-Mexico-Canada Agreement during a news conference in the White House on Monday. PHOTO: KEVIN LAMARQUE/REUTERS

By *Josh Zumbrun and Siobhan Hughes*

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WASHINGTON—Investors greeted the completion of a new North American trade pact with relief Monday, as the Trump administration turned its focus on getting the deal through a divided Congress and toward even larger economic feuds with China.

Uncertainty about trade has been a worry of businesses and investors for months, after Mr. Trump began advancing an ambitious agenda that included a new North American Free Trade Agreement, tariffs on U.S. metals imports and a rewrite of U.S. economic ties with China.

The new U.S. Mexico Canada Agreement, which will replace Nafta, alleviated some, if not all, of those concerns. Among other things, it allows auto makers and other multinational companies to keep intact the complex and costly supply chains built across the continent since Nafta was completed in 1994.

It also won new concessions for U.S. farmers and created new rules for digital commerce across the continent.

## The Road to a New Nafta



General Motors Co. applauded the accord, saying it has long supported efforts to modernize the trilateral accord. “This agreement is vital to the success of the North American auto industry,” the auto maker said.

“This gives some sign that [President] Trump is at some point willing to agree to some new trade deals,” said Jeroen Blokland, a multiasset portfolio manager at Dutch asset manager Robeco.

At a White House ceremony Monday, Mr. Trump touted the deal as a big win for U.S. workers. Among other things, it requires that duty-free cars produced in North America have at least 75% of their content produced in the region and 40% of their content produced by \$16-an-hour labor. Those provisions could lead to more auto production and jobs in the U.S. and Canada.

U.S. dairy farmers also got what they wanted when Canada agreed to drop its complex “Class 7” system, which limited imports of certain dairy products from the U.S. It was a tough concession by Canadians that led to the weekend breakthrough after sometime bitter talks between the U.S. and its northern neighbor in the months leading up to the agreement.

“We had to make compromises,” Prime Minister Justin Trudeau of Canada said Monday. “And some were more difficult than others. We never believed it would be easy, and it wasn’t.”

The Dow Jones Industrial Average rose 0.7%, extending advances after posting its biggest one-quarter gain of the year. The S&P 500 climbed 0.4%, just short of its record. The Nasdaq dipped.

The North American pact allows Mr. Trump to turn his attention to China, where trade disagreements are even thornier, and may free up U.S. negotiators to devote more attention to their nascent talks with the European Union and Japan.

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The tensions are highest with Beijing. The Trump administration has imposed tariffs on \$250 billion of imported goods from China and threatened more if steps aren’t taken to close a more than \$300 billion trade surplus with the U.S.,

block alleged intellectual property theft and reduce state support for the private sector.

Mr. Trump, a Republican, must turn to political rivals at home to make the North American trade deal the law of the land, a test of bipartisanship in Washington at a moment of extreme political discord.

Mr. Trump is counting on Democrats and traditional allies of Democrats including labor unions to help push the new pact through Congress and replace what Mr. Trump has long called the worst trade deal in history.

The rules requiring car production by high wage workers could please U.S. labor unions and their allies among Democrats. But in approving the deal, Democrats would be handing Mr. Trump a victory on a pledge that helped to define his 2016 election and could be a signature of his 2020 campaign for reelection.

On Saturday, at a political rally in West Virginia, the president called his rival party a “disgrace.”

“I can’t tell you whether or not they will obstruct, whether or not they’ll resist,” Mr. Trump said. “They might be willing to throw [away] one of the great deals for people and the workers—they might be willing to do that for political purposes, because frankly they’ll have 2020 in mind.”

Once Mr. Trump and his counterparts in Canada and Mexico sign the deal, targeted for the end of November, the new pact must win congressional approval to take force. Lawmakers will have an opportunity to weigh in, to request side deals or insist on special legislative provisions.

The administration has said the congressional vote is likely to be in 2019. By then Democrats may have taken control of the House, and even if they haven’t, Mr. Trump’s trade advisers have long counted on Democrats to help advance a new North American trade deal through Congress.

“I think this will pass with a substantial majority. The fact of the matters is, this is not a Republican-only agreement,” U.S. Trade Representative Robert Lighthizer said Monday. “It was never designed to be a Republican-only agreement.”

Democrats treaded carefully, acknowledging they could support the new pact but hesitated to commit.

“As someone who voted against Nafta and opposed it for many years, I knew it needed fixing,” said Sen. Chuck Schumer of New York, the Democratic leader. “The president deserves praise for taking large steps to improve it.”

Mr. Schumer, however, said he still needed to see more details on labor provisions. By leaving open the possibility of Democratic support for the deal, the Democrats also retain leverage to shape the legislation that will need to be passed by Congress to implement three-country the trade pact.

## What's in the New Nafta



LUKE SHARRETT/BLOOMBERG NEWS

Two major unions, the Teamsters and the AFL-CIO, stopped short of endorsements but appeared supportive, a shift from their oft-adversarial approach on trade deals. The Teamsters union said it was “pleased.” The AFL-CIO said some provisions were “a good start,” a suggestion it could look for side deals or special provisions in Congress to make it more appealing.

Rep. Debbie Dingell (D., Mich.), who said she has been in regular contact with the administration and constituents about the parameters of a new trade pact, said she was open to supporting the revised pact.

“I need to talk to the autos and suppliers and unions, but if they all think that this is going to be better; that it’s going to bring more jobs back, I will support it,” she said in an interview.

Under the trade authorities in use to renegotiate Nafta, the White House gets to write the legislation implementing the new deal and is guaranteed to receive an up-or-down vote on their legislation in the House and the Senate.

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Congress cannot amend the text, but lawmakers can shape provisions in the implementing legislation. The administration is required to consult with Congress in drafting the implementing legislation. Congress, for example, could demand provisions in the implementing legislation that goes further than the text of the deal, such as additional labor protections for U.S. workers.

Ohio Sen. Sherrod Brown, a Democrat with strong union ties, has said he will seek to ensure implementing language helps prevent outsourcing to other countries by U.S. firms. Rep. Lloyd Doggett (D., Texas), said that “complete

implementing language is also vital to my final evaluation and determination of what further adjustments may be needed.”

The addition of Canada to the deal has led to a broad sigh of relief in Congress. For the past month, while the U.S. had reached a deal with Mexico, it was unclear whether Canada would agree to the new terms. The U.S. business community and many lawmakers would have resisted a deal without Canada given the extensive economic ties between the two nations.

“We viewed a U.S.-Mexico deal as a non-starter in the Congress,” said Chris Krueger, managing director at the Cowen Washington Research Group, which tracks Washington policies. “We believe USMCA will be ratified next year, though there will be some heartburn if one (or both) houses of Congress flips.”

—William Mauldin, Vivian Salama, Paul Vieira and Christopher Whittall contributed to this article.

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