

Closing Statement of USTR Robert Lighthizer at the Sixth Round of NAFTA Renegotiations

January 29, 2018
Montreal, Canada

Ambassador Lighthizer:

It is a pleasure to be here in Quebec. Montreal is one of the great cities of the world, and I have not been back in many years, and I've missed it. I used to come here in the 70s and 80s with my wife and children to go to Mont-Tremblant and learn how to ski. We loved the French culture, we loved the excellent food, the wonderful skiing and as I recall, it was cold all the time. That hasn't changed at least.

I always thought that Quebec has the greatest motto anywhere: "Je me souviens." It is a perfect comment on history, culture, and even the future. I think it is a perceptive motto for a trade negotiator. Maybe we'll put it up at USTR – "Je me souviens." You can see it when you walk in.

Since we are in Canada, let me talk a bit about our bilateral trade relationship. I think there is some misunderstanding here that the United States is somehow being unfair in these negotiations and that is not the case.

Free trade agreements are essentially grants of preferential treatment to other countries in exchange for an approximately equal grant of preferential treatment in their economy. Thus, it is reasonable from time to time to assess whether the bargain has turned out to be equitable.

Using Canadian statistics, Canada sold the United States \$298 billion U.S. dollars in goods in 2016, the last numbers that we have. We sold Canada \$210 billion dollars in goods. Now that's a lot of two-way trade, but it also means that Canada has an over \$87 billion U.S. dollar surplus with the United States. To put this in perspective, that figure is equal to approximately 5.7 percent of Canada's GDP. When energy is removed, and in some people's opinion that's a fair thing to do, the number is still \$46 billion dollars. The projected figures for 2017 show that the surplus will be even larger when those numbers are in.

Now I ask Canadians because we're in Canada, is it not fair for us to wonder whether this imbalance could in part be caused by the rules of NAFTA? Would Canada not ask this same question if the situation were reversed? So we need to modernize and we need to rebalance.

Now let me turn to the Sixth Negotiating Round and the status of our talks. We believe that some progress was made. We closed one chapter, as Ildefonso [Guajardo] said it was the chapter on corruption, which is a very important chapter, and we made some progress on a few others. More importantly though, we finally began to discuss some of the core issues. So this round was a step forward, but we are progressing very slowly.

We owe it to our citizens, who are operating in a state of uncertainty, to move much faster. Of course, negotiating as a group of three is more difficult than bilateral talks. Often, issues become more complicated and contentious when there are three parties.

I would like to comment on two proposals by the Canadians, one of which has been in the press quite a bit, and that is a presumed compromise on rules of origin. We find that the automobile rules of origin idea that was presented, when analyzed, may actually lead to less regional content than we have now and fewer jobs in the United States, Canada, and likely Mexico. So this is the opposite of what we are trying to do.

In another proposal, Canada reserved the right to treat the United States and Mexico even worse than other countries if they enter into future agreements. Those other countries may, in fact, even include China, if there is an agreement between China and [Canada]. This proposal, I think if the United States had made it, would be dubbed a “poison pill.” We did not make it, though. Obviously, this is unacceptable to us, and my guess is it is to the Mexican side also.

Finally, I would like to refer, because I think it fits into this context to an unprecedented trade action that Canada brought against the United States very recently. It constitutes a massive attack on all of our trade laws. If it were successful, it would lead to more Chinese imports into the United States and likely fewer Canadian goods being sold in our market. Now we understand that countries often challenge specific actions taken by another country in the context of trade laws. This is normal and what we expect. But this litigation essentially claims that 24 years ago, the United States effectively gave away its entire trade regime in the Uruguay Round. Of course, we view this case as frivolous, but it does make one wonder if all parties are truly committed to mutually beneficial trade. It also underscores why so many of us are concerned about binding dispute arbitration. What sovereign nation would trust to arbitrators or the flip of a coin their entire defense against unfair trade?

To conclude, some real headway was made here today. The United States views NAFTA as a very important agreement. We are committed to moving forward. I am hopeful progress will accelerate soon. We will work very hard between now and the beginning of the next round, and we hope for major breakthroughs during that period. We will engage with both Mexico and Canada urgently, and we will go where these negotiations take us. Thank you very much.