

Canada and Mexico's Exemption from Increased Tariffs Tied to NAFTA Renegotiation

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In March 2018, President Trump signed his decision to impose tariffs on imports of steel and aluminum. In the wake of such a decision, international markets, longtime trading partners and members of the President's own party are angry. The decision imposes a 25% tariff on steel imports and a 10% tariff on aluminum imports.

After announcing the tariffs, the President aggravated the situation by suggesting even broader tariffs for the European Union if it does not address the President's (unspecified) concerns. [On Twitter the President wrote](#), "The European Union, wonderful countries who treat the U.S. very badly on trade, are complaining about the tariffs on Steel & Aluminum. If they drop their horrific barriers and tariffs on U.S. products going in, we will likewise drop ours. Big Deficit. If not, we Tax Cars etc. FAIR!"

Unlike the European Union, Canada and Mexico are allowed an exemption, which is contingent on the three countries reaching a favorable renegotiation of NAFTA. Trump's specific exemptions for Canada and Mexico come after what he thinks are large trade deficits with the two countries. On Twitter, [he tweeted](#), "We have large trade deficits with Mexico and Canada. NAFTA, which is under renegotiation right now, has been a bad deal for U.S.A. Massive relocation of companies & jobs. Tariffs on Steel and Aluminum will only come off if new & fair NAFTA agreement is signed."

NAFTA talks have been laden with contentious issues. The President believes that the NAFTA accord is flawed, leading U.S. companies to move factories to Mexico and disenfranchising American workers. The Trump Administration's most contentious [proposal](#), among others, is to require "more automobile manufacturing in the U.S., seasonal barriers to farming goods, access to U.S. procurement deals, dispute resolution mechanisms, and a clause that would terminate the deal after five years."

Canada and Mexico, however, have indicated their unwillingness to submit to the Trump Administration's treatment. "Canadian Foreign Minister Chrystia Freeland called NAFTA and the tariffs 'quite distinct issues' and said '[our negotiating positions are absolutely unchanged](#).'" Negotiations to update NAFTA are following their normal course after beginning in August 2017, missing a December 2017 target, and continuing into another soft deadline of March 2018. Despite negotiations, Trump has called out Canada and Mexico [for not doing more](#) to "stop trans-shipment of steel and aluminum through their countries and into the U.S." His issue comes



from what he believes were the previous administration's unfair trade deals that adversely affected Americans.

The exemptions for Canada and Mexico are not going to last forever. The finalization of such exemptions is subject to the changes made to NAFTA that [satisfy](#) Trump. While the President will urge the renegotiations of NAFTA to be done quickly, it is likely that negotiations will continue until the year's end, in light of Canada and Mexico's stance against the new tariffs. What is clear, however, is that whatever the exemptions, countries and the international markets are not reacting well to the decision.