



Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

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After KORUS, NAFTA?

After the announcement of the U.S. and the Republic of Korea deal in principle on the general terms of amendments and modifications to the KORUS FTA (United States-Republic of Korea Free Trade Agreement), which in turn permanently exempts Korea from the 25% tariffs imposed on steel imports under Section 232 of the U.S. Trade Expansion Act of 1962, the United States Trade Representative (USTR) now turns its attention to the NAFTA renegotiation.

They look to announce a similar achievement in the two weeks to come, one informed source said.

The source said the Trump administration plan to announce NAFTA 2.0 agreement in principle at the Summit of the Americas in Peru on April 13-14, which will be attended by the three leaders. This leaves NAFTA negotiators with about 10 days to agree on the key sticking points (such as auto rules of origin, ISDS – investor-state dispute settlement) while leaving the legal scrubbing and other technical details to be finalised at a later stage, similar to what was done with CETA.

It's still unclear whether the week of April 8th (and final) round of negotiations will still take place, the source said, as the USTR has not yet circulated a note to industry stakeholders and media regarding the round. Nevertheless, observers expect some form of negotiations (even if not a formal round) to take place this week in Washington D.C.

USTR Robert Lighthizer is expected to meet Mexican Economy Minister, Ildefonso Guarjardo, on April 4th while Canada's Foreign Minister, Chrystia Freeland will be in D.C. to meet with the USTR on April 6th.

“Historic” KORUS Agreement

Observers described the agreement in principal with South Korea as less ambitious than expected since President Trump previously described the accord “a disaster.” The new deal increases the U.S.’s quota of cars exported to Korea to 50,000 per automaker, along with the right to maintain the 25% tariffs on imported pickup trucks.

Korea also agreed to limit its steel export to the U.S. to 70% of its average over the last three years.

“The revised agreement addresses issues related to investment, tariffs, trade in automobiles, and trade remedies. Additional progress was made in the areas of pharmaceuticals, customs and textiles to smoothly implement the KORUS FTA,” Lighthizer and Republic of Korea Minister for Trade, Hyun Chong Kim, said in a joint statement released on March 28th.

Critics said most of the KORUS’ 24 chapters have remained untouched, describing the agreement as limited given U.S. automakers’ difficulty with exporting cars to Korea, along with the almost non-existent import of light trucks from South Korea.

Observers added that there was no better time to strike a deal with Korea, given the political situation with North Korea. “This represents important progress in improving U.S.-Korea trade and economic relations, based on their strong and enduring security relationship,” the joint statement reads.

Seoul, meanwhile, was forced to quickly agree to a deal that would definitely get the country out of the steel tariff which is expected to take effect on

May 1, 2018. That being said, the revised deal puts additional pressure on Canada and Mexico to reach a similar accord in the weeks to come, observers state.

Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Egg Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to report on the various events occurring in Geneva, particularly on the WTO negotiations on agriculture.

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