



The Future of NAFTA

Taking Action Under Uncertainty

Webinar

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Mexico City, Mexico
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I. US President-Elect Announced Measures and Powers to Execute Them

Trump's Announced Trade Measures

Relevant Sources

1. 7 point plan to Rebuild the American Economy by Fighting for Free Trade

Speech in Monessen, PA- June 28, 2016

2. Donald Trump's Contract with the American Voter- 100-day action plan

Signed in Gettysburg, PA- October 22, 2016

3. Trump's Transition Memo- for discussion purposes

CNN leak, November 15, 2016

4. A Message from President-Elect Donald J. Trump

YouTube- November 21, 2016

Donald Trump's Contract with the American Voter

What follows is my **100-day action plan to Make America Great Again**. It is a contract between myself and the American voter—and begins with restoring honesty and accountability, and bringing change to Washington. On the first day of my office, my administration will immediately pursue the following:

Six measures to clean up the corruption and special interest collusion in Washington, DC:

- ★ **FIRST**, propose a constitutional amendment to impose term limits on all members of Congress.
- ★ **SECOND**, a hiring freeze on all federal employees to reduce the federal workforce through attrition (exempting military, public safety, and public health).
- ★ **THIRD**, a requirement that for every new federal regulation, two existing regulations must be eliminated.
- ★ **FOURTH**, a five-year ban on White House and Congressional officials becoming lobbyists after they leave government service.
- ★ **FIFTH**, a lifetime ban on White House officials lobbying on behalf of a foreign government.
- ★ **SIXTH**, a complete ban on foreign lobbyists raising money for American elections.

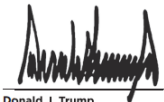
Seven actions to protect American workers:

- ★ **FIRST**, I will announce my intention to renegotiate NAFTA or withdraw from the deal under Article 2205.
- ★ **SECOND**, I will announce our withdrawal from the Trans-Pacific Partnership.
- ★ **THIRD**, I will direct the Secretary of the Treasury to label China a currency manipulator.


Five actions to restore security and the constitutional rule of law:

- ★ **FIRST**, cancel every unconstitutional executive action, memorandum and order issued by President Obama.
- ★ **SECOND**, begin the process of selecting a replacement for Justice Scalia from one of the 20 judges on my list, who will uphold and defend the U.S. Constitution.
- ★ **THIRD**, cancel all federal funding to sanctuary cities.
- ★ **FOURTH**, begin removing the more than two million criminal illegal immigrants from the country and cancel visas to foreign countries that won't take them back.
- ★ **FIFTH**, suspend immigration from terror-prone regions where vetting cannot safely occur. All vetting of people coming into our country will be considered "extreme vetting."

continued on the back



Donald J. Trump



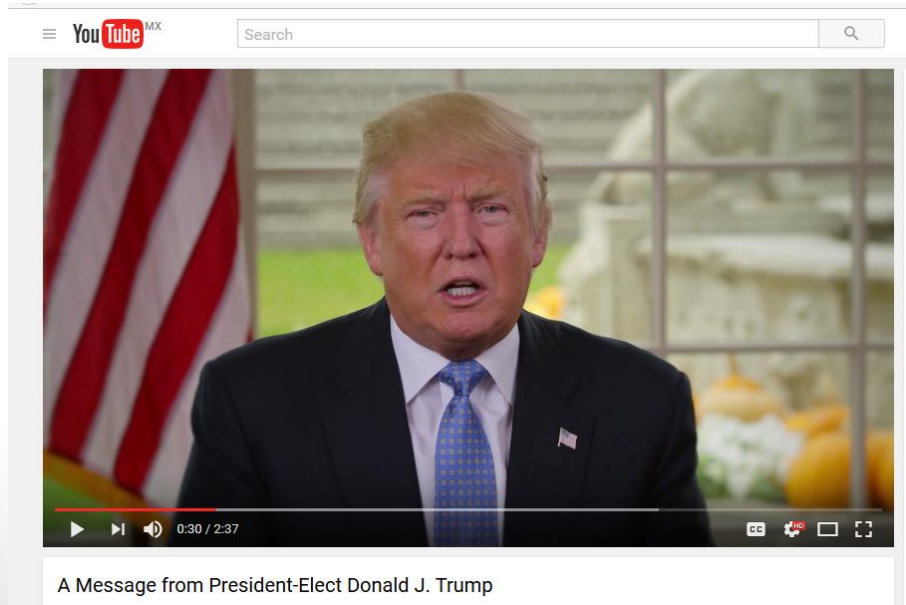
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donalddjtrump.com/contract

Trump's Announced Measures

Trade policies that could impact Mexico (first 200 days)

1. Renegotiate or withdraw from **NAFTA**. (order study to the Department of Commerce and the International Trade Commission).^{1,2,3}
2. Withdraw from the **TPP**.^{1,2,3,4}
3. Introduce the “**End of Offshoring Act**”.²
4. Identify **foreign trading abuses** and use **every tool** under American and international law to end them. ^{1,2,3,4}
5. Remove more than 2 million **criminal illegal immigrants** from the country.²
6. Investigate **abuses of visa programs**.⁴



President's Powers under FTA's and Domestic Laws that Could Impact Trade with Mexico

NAFTA

Withdrawal- Art. 2205 Power to withdraw within 6 month notice.

Amendments- Art. 2202 Need to be approved in accordance with the applicable legal procedures of each Party.

Domestic Laws

Trade Expansion Act of 1962, Section 232(b) (national security).

Trade Act of 1974, Section 122 (balance of payments) and 301 (unjustifiable, unreasonable or discriminatory practices).

Trading with the Enemy Act of 1917 (during time of war).

International Emergency Economic Powers Act of 1977 (national emergency).



II. The North American Economic Region

Regionalism

More than **50%** of World Trade:



is of intermediate goods (2015)²

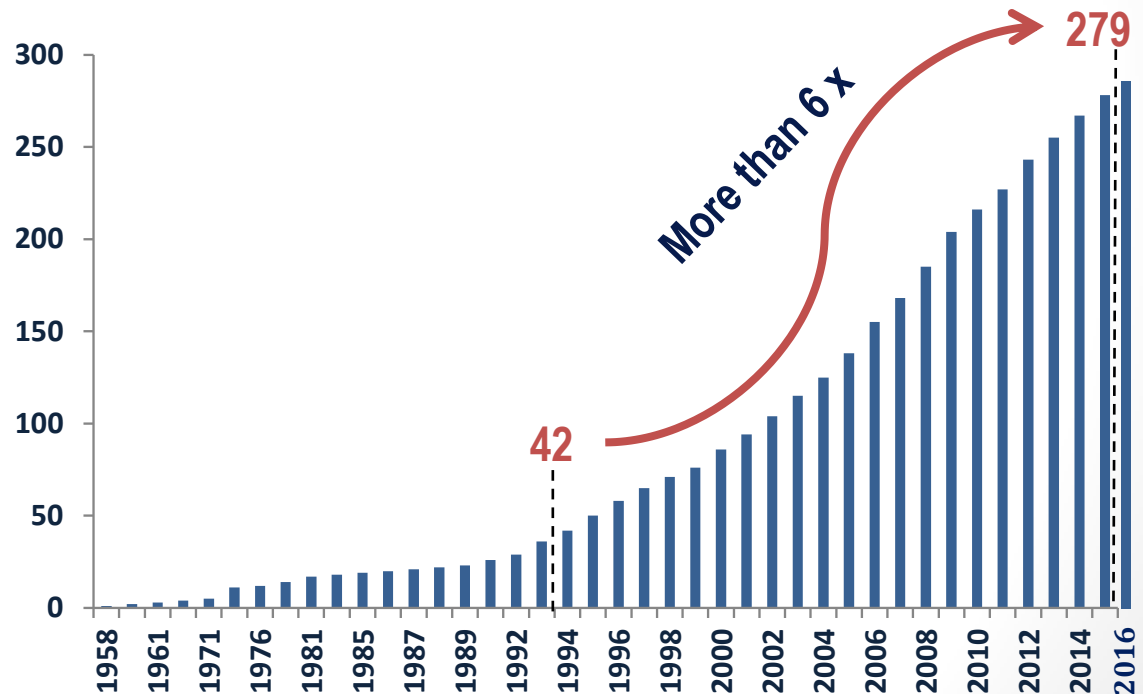


is intra-regional (2014)³



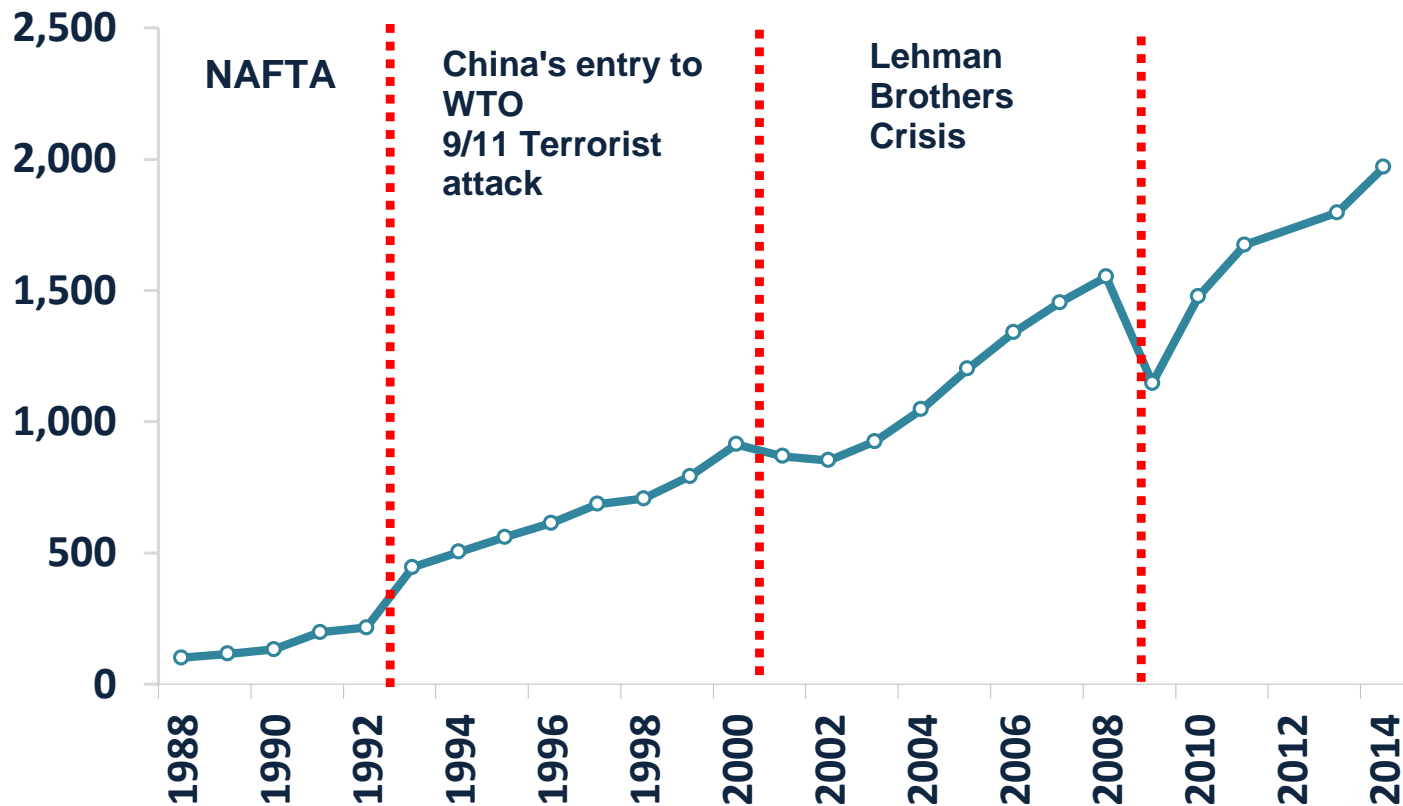
of merchandise happens under preferential trade agreements (2008)⁴

Current Regional Trade Agreements (1958 - 2016)



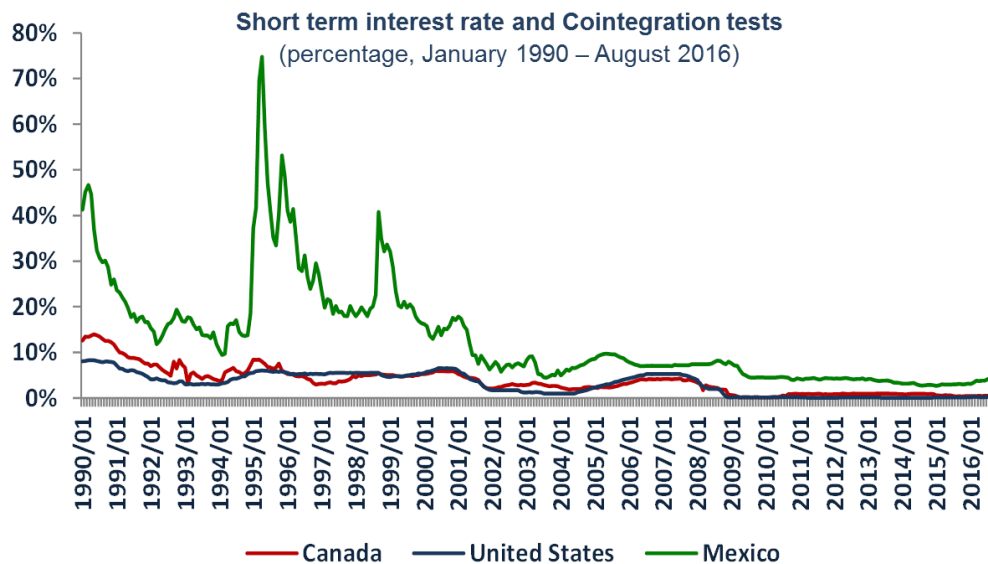
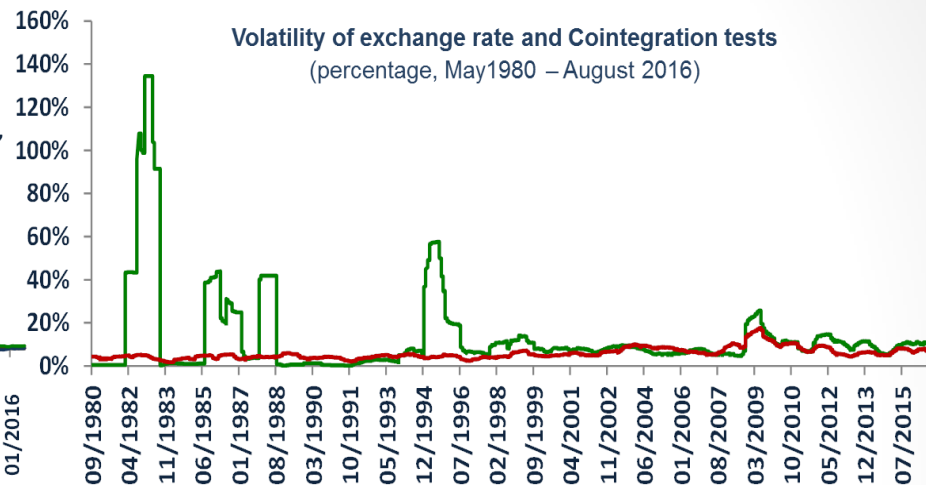
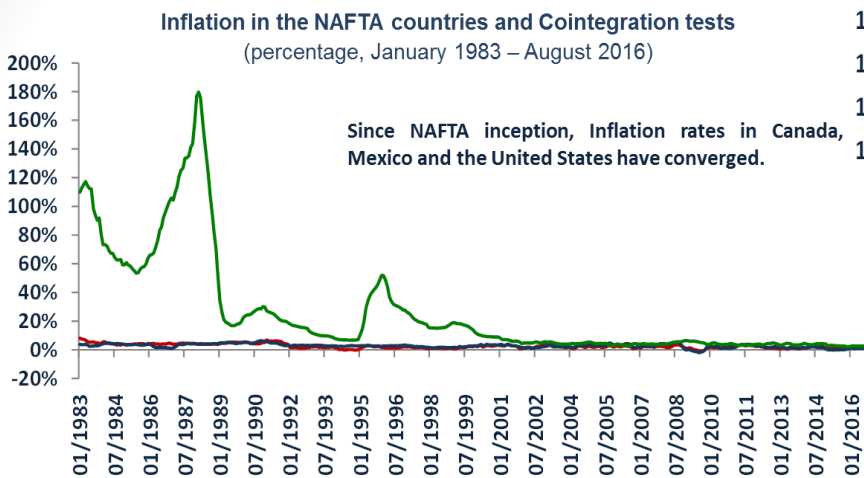
Trade and Investment Flows

Index of trade and foreign direct investment in North America¹
(index, 1988=100, 1988 - 2014)

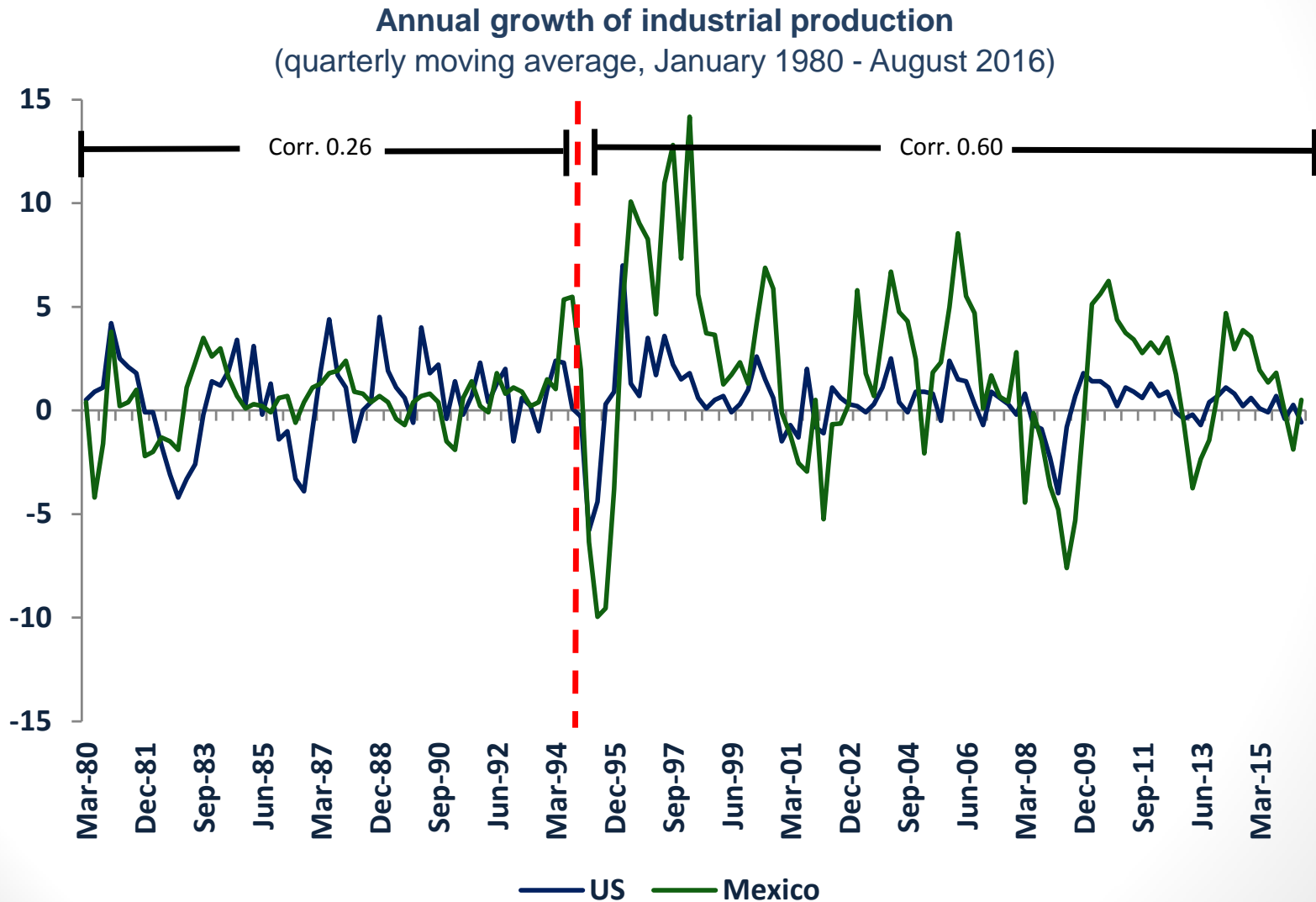


1/ The index of integration of Trade and Foreign Direct Investment in North America and the corresponding sub-indices comply with the following properties: existence, identity, invertibility, circularity, proportionality, and homogeneity.

Macroeconomic convergence



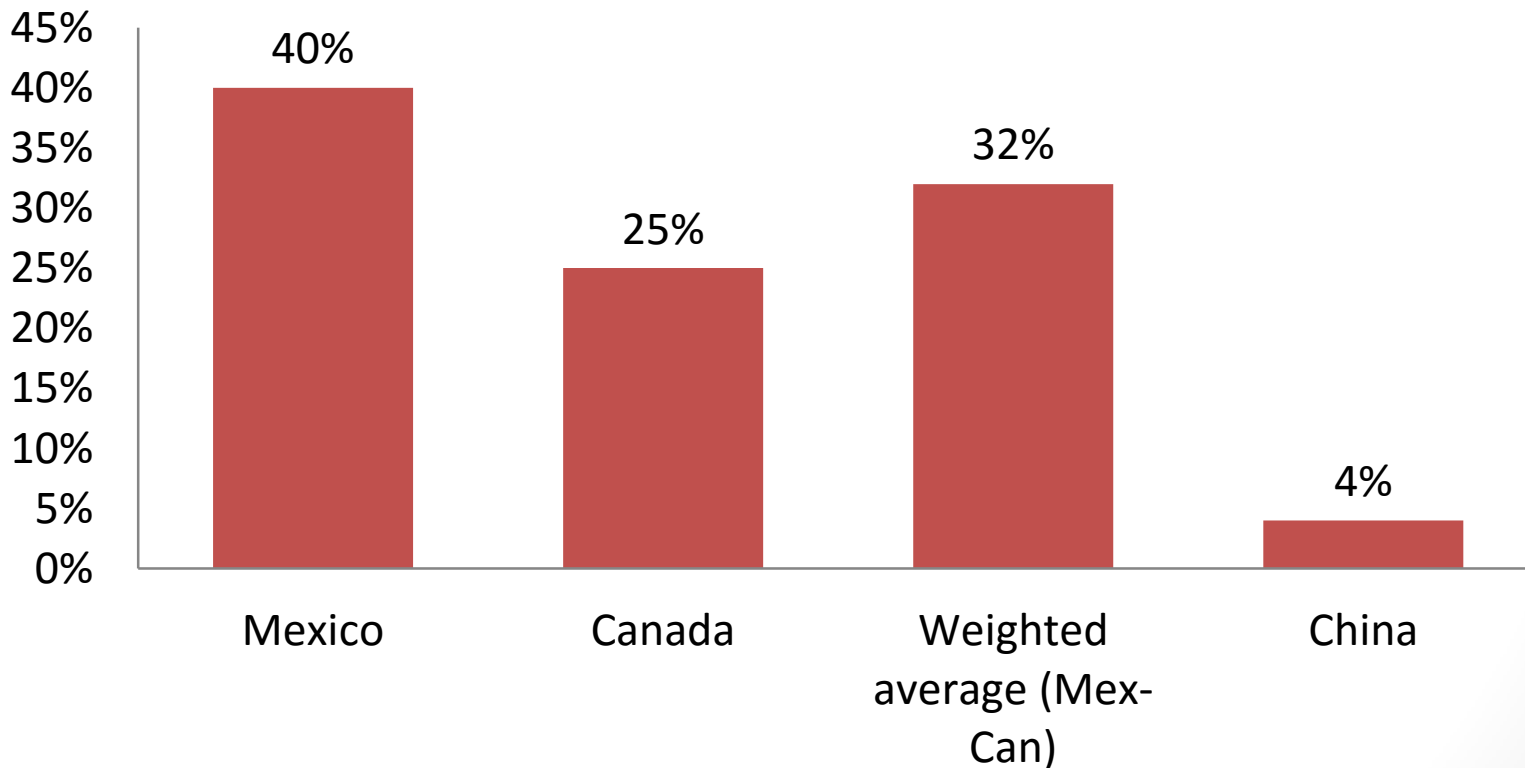
Economic cycle coordination



Made in North America

When Mexico exports, US exports






United States content in US imports by country
(percentage, 2004)



WE ARE ON THE SAME SIDE OF THE TABLE

Mexico's contribution to US profits

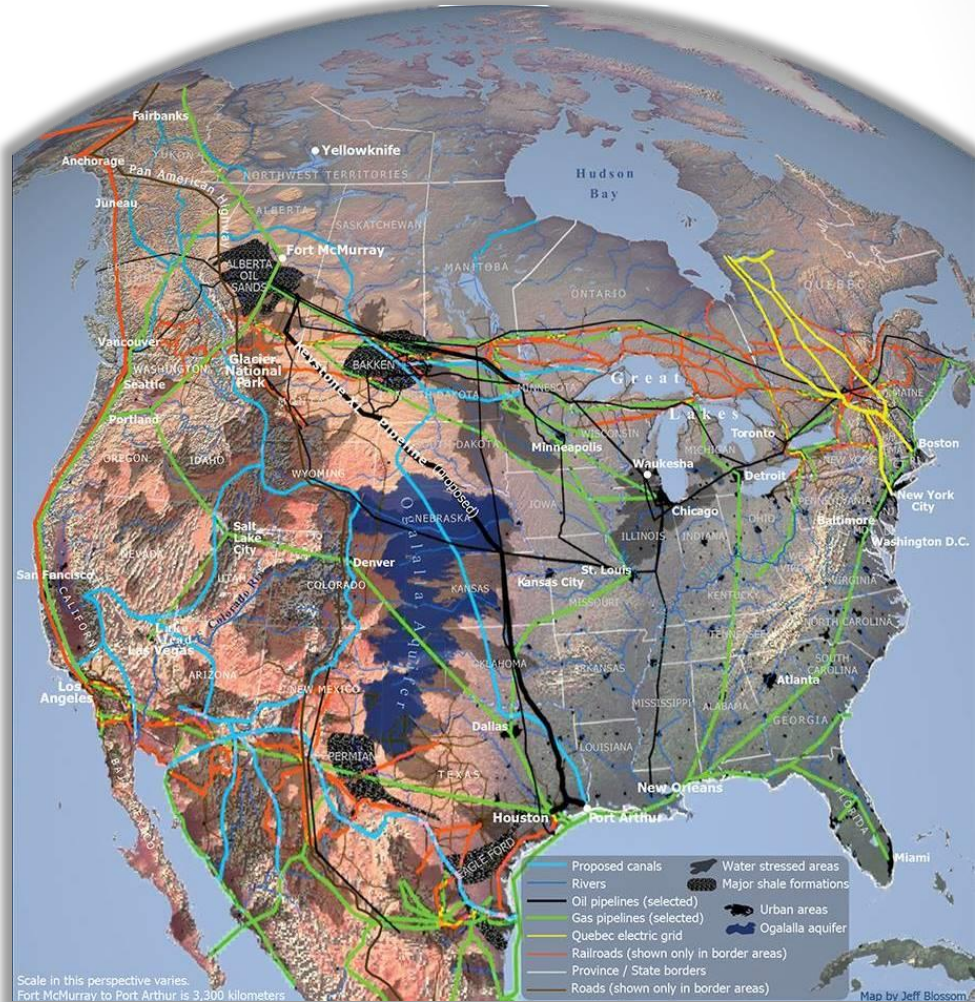
Industry performance by country and range

<i>Industry</i>						
Automotive	Profitability after tax	24.8%	25.6%	22.7%	7.9%	5.6%
	Rank	1	2	3	9	11
Electronics	Profitability after tax	33.6%	35.0%	31.4%	25.9%	13.6%
	Rank	1	2	3	6	11
Precision manufacturing	Profitability after tax	22.5%	22.6%	19.3%	6.2%	3.5%
	Rank	1	2	3	7	11
Telecommunications	Profitability after tax	31.4%	32.7%	29.0%	9.7%	6.5%
	Rank	1	2	3	7	11
Aerospace	Profitability after tax	30.8%	32.5%	28.1%	10.1%	7.9%
	Rank	1	2	3	7	11
Agri-Food	Profitability after tax	31.7%	34.7%	26.8%	10.7%	9.0%
	Rank	2	1	4	10	12

Connectivity

From NAFTA to a North American Union

Open Skies
August 21, 2016



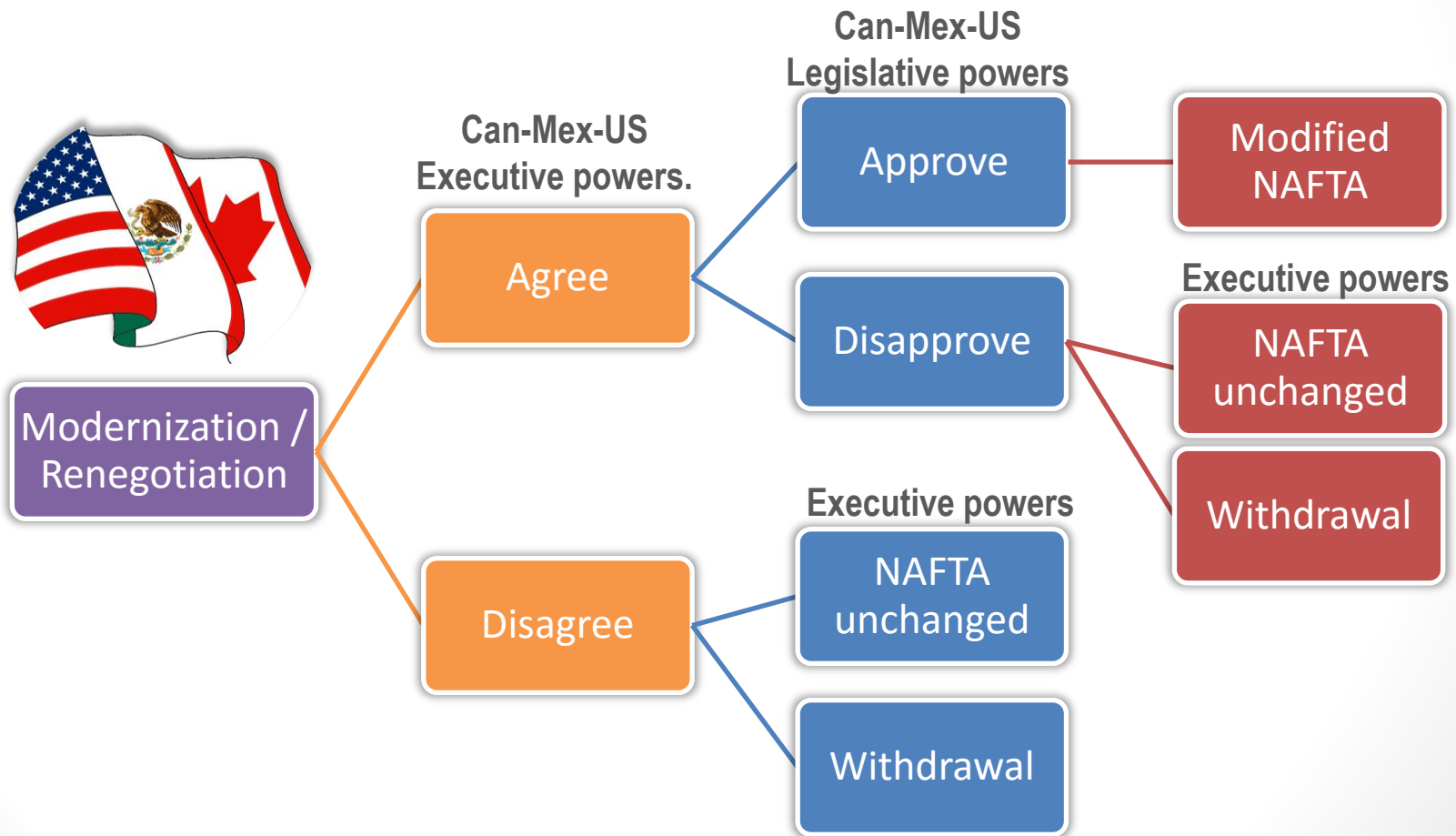
Source: Khanna, P. (2016). *Connectography: Mapping the Future of Global Civilization*. Random House Publishing Group.



III. Scenarios

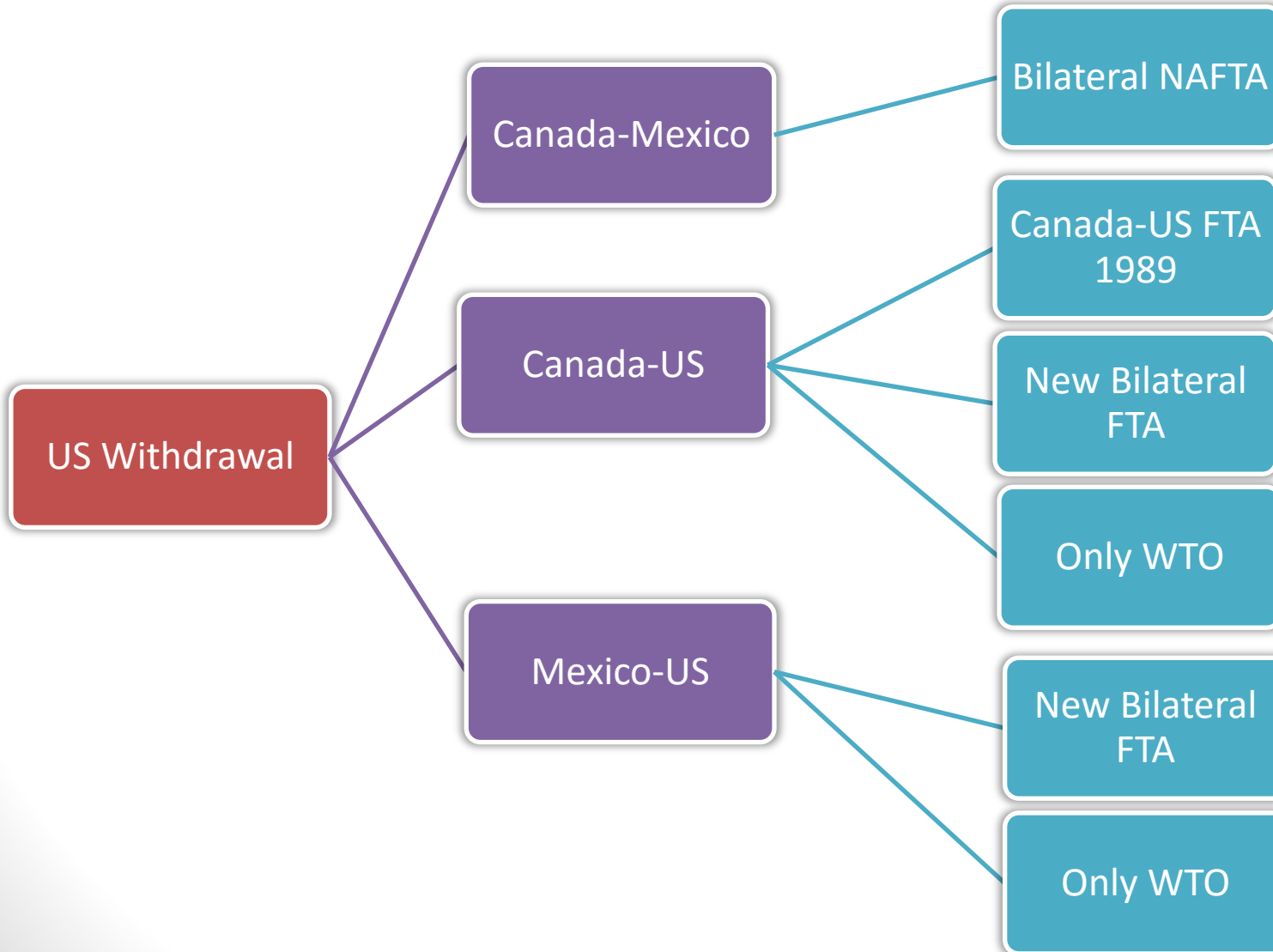
Scenarios

NAFTA's future



Scenarios

NAFTA's future



Renegotiation

Potential modification of the North American Ecosystem

1. Trade in goods

- Tariffs
- Import and export restrictions
- Customs user fees
- Rules of origin

2. Investment

3. Services

4. Intellectual property

5. Government procurement

6. Energy and Basic Petrochemicals

7. Dispute Settlement- Antidumping and countervailing duties

8. Emergency Action- Safeguards



Modernization- Side Agreements

Potential modification of the North American Ecosystem

1. Labor
2. Environment
3. Regulatory coherence and cooperation (standards)
4. Trade facilitation
5. SMEs
6. E-commerce
7. State owned enterprises
8. Anti-Corruption Treaty
9. Agreement on Currency Manipulation
10. Compliance Agreement





IV. Preparing and Taking Action Under Uncertainty

SAI's Tailor-Made Strategy for Companies

Assessment of vulnerabilities

1. Legal analysis

- Revision of the effects if NAFTA's most relevant provisions are amended or derogated.

2. Economic and financial impacts

- Trade
- Investment
- Global value chains
- GDP, exchange-rate and inflation
- Other variables

3. Plan of action

- Measures to counteract the effects or impacts



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