

NAFTA - 4 SCENARIOS FOR CANADIAN BUSINESSES

NAFTA NEGOTIATIONS ARE CAUSING UNCERTAINTY FOR CANADIAN BUSINESSES. THERE ARE 4 DIFFERENT SCENARIOS THAT ORGANIZATIONS SHOULD PREPARE FOR.

A NEW NAFTA DEAL IS REACHED

1

Despite all odds, a new NAFTA deal is reached by the March 2018 deadline. In order for this to happen it means the 3 parties would have to agree on issues such as dispute settlement, the sunset clause, and gender and environmental chapters. How will organizations prepare to meet new regulations?

THE US WALKS AWAY FROM NAFTA TALKS

If the US walks away from NAFTA talks, assume trade between Canada and Mexico would continue under NAFTA regulations.

2

CANADA/US TRADE REVERTS TO THE 1989 FREE TRADE AGREEMENT (FTA)

Reverting to the FTA with the US would mean there would be no dispute settlement resolution in place.

Questions for Canadian organizations with this outcome:

- Would a new dispute mechanism be able to be negotiated?
- Would this deal stand up to the needs of either party in a global trade market?
- Would the US impose high tariffs (likely with softwood lumber and dairy)?
- Would work visas become more difficult to obtain?

3

NEGOTIATIONS OF A NEW BILATERAL FREE TRADE AGREEMENT

While this is likely to be more desirable for both countries, it remains to be seen if both parties could agree on a new deal.

Questions for Canadian organizations with this outcome:

- The issues currently on the NAFTA table would need to be addressed here too, including the dispute settlement mechanism, Canada's agricultural supply management system, "Buy America" procurement, rules of origin, cross-border data flows, and intellectual property rights. What would the outcome of these look like?

4

REVERTING TO WORLD TRADE ORGANIZATION (WTO) RULES

Countries without trade agreements generally trade under the "most-favoured nation" (MFN) tariff rates. Tariffs applied by Canada and the US are relatively low.

Questions for Canadian organizations with this outcome:

- Will this make it more difficult to move people between the 2 countries?
- How will this affect the supply chain?
- How will this affect investment in Canada?
- Will individual organizations need to downsize their workforce?