

USTR Publishes List of Objectives for the Renegotiation of NAFTA

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The Office of the United States Trade Representative (USTR) has published [a list of its objectives](#) in the renegotiation of the North America Free Trade Agreement (NAFTA). The USTR indicated that the negotiations will be led by the goal of addressing the United States' persistent trade imbalance. In fact, the first stated objective of the renegotiations is to “[i]mprove the U.S. trade balance and reduce the trade deficit with the NAFTA countries.” While this targeted goal is in line with the Trump administration's focus on reducing trade deficits with its trading partners, this is the first time trade deal renegotiations have used this marker as a primary measure of a successful negotiation. Based on recent comments by the Mexican Secretary of the Economy that the Trump administration's focus on trade deficits is concerning, it will be interesting to see to what extent trade deficits actually impact the negotiating position of the NAFTA countries.

Additional overarching objectives published in the USTR's list include maintaining existing duty-free access for U.S. industrial goods, maintaining existing reciprocal duty-free market access for agricultural goods, and overall modernization of the agreement in the areas of digital trade, intellectual property, the environment and labor, among others.

While the list of renegotiation objectives touched on a variety of important topics, the level of detail many importers were hoping for, so that they could proactively plan for changes resulting from the negotiations, did not materialize. For example, on rules of origin, the USTR's overall objectives are to “[u]pdate and strengthen the rules of origin, as necessary, to ensure that the benefits of NAFTA go to products genuinely made in the United States and North America” and to “[e]nsure the rules of origin incentivize the sourcing of goods and materials from the United States and North America.”

No details were provided as to whether the USTR's negotiation priority will be to increase the Regional Value Content requirements for NAFTA qualification, or whether rules of origin will be streamlined to make the qualification process simpler. Indeed, the only objective related to rules of origin that may involve a change is the proposed streamlining of the certification and verification of the rules of origin to promote strong enforcement. Although that language does speak to changes in the NAFTA Certificate of Origin process, any details regarding what those changes may involve were not provided.

Concrete goals were established in the area of trade remedies. One of the principal objectives is the

elimination of the Chapter 19 dispute settlement mechanism, which would change the way trade remedies among member countries can be challenged. From the USTR's perspective, an overarching goal is to "[p]reserve the ability of the United States to enforce rigorously its trade laws, including the antidumping, countervailing duty, and safeguard laws." The USTR outlined different ways to achieve this objective, such as implementing new procedures that allow for AD/CVD verification visits; imposing measures based on third-country dumping; and establishing an import monitoring warning system for agreed sensitive products for non-NAFTA countries.

We encourage all of our clients with significant business in the NAFTA region to review the list of objectives and consider what impact the stated goals may have on their international trade processes. While the details of what exactly will change may not be available at this time, preparing for the potential business impact will ensure a company is quicker out of the gate when the time comes to implement any required changes.

The NAFTA renegotiations are set to begin in Washington, D.C. on August 16, 2017. We will be following developments closely and advising clients on any aspect of the negotiations that may impact their businesses.

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