



G. Brent Connor

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# Trade Hot Topics

March 27, 2018



# North American Free Trade Agreement

- **May 18, 2017:** Trump administration submits notice to Congress of intent to renegotiate NAFTA
- **August 16, 2017:** 1<sup>st</sup> round of renegotiation
- **January 21-29, 2018:** 6<sup>th</sup> round of renegotiations
- **February 26, 2018:** 7th (most recent) round of negotiations
- **March 31, 2018:** Soft deadline to complete negotiations

*President Trump continues to insist that the U.S. will withdraw from NAFTA if it is not amended to address trade imbalances*



# North American Free Trade Agreement

- **Renegotiation**

- Update and strengthen/add NAFTA provisions involving e-commerce and digital trade, increased market access, etc.

- **Withdrawal**

- Tariffs will rise; revert to WTO levels
- Prices on various goods could increase
- Large impact on complex supply chains
- Other unknown, unintended consequences after 25 years of trade that reshaped the economy

# North American Free Trade Agreement



## What's Next?

- **Renegotiation – amendments are allowed under NAFTA Article 2202**
  - Trump would likely need to issue a Presidential Proclamation
  - Congress would likely consider under the terms of TPA
- **Withdrawal - six month notice under NAFTA Article 2205**
  - If withdrawal, does the U.S. seek a bilateral with Mexico and an updated U.S.-Canada Free Trade Agreement? Do Canada and Mexico remain in NAFTA?



# One Year Later ...





# Iran

- President Trump's policy toward Iran continues to evolve
- **February 2017**
  - Iran is put on notice
- Europeans agree to discuss Iran deal with United States





# Cuba

- Support for the Cuban people, not for the Cuban state
- Department of State
- Bureau of Industry and Security (BIS)
- Office of Foreign Assets Control (OFAC)



# Russia

- Congress pressures the President to sanction Russia
- **August 2, 2017:** President Trump signs Countering America's Adversaries Through Sanctions Act (CAATSA) into law
- CAATSA Section 231
- President Trump recently waived sanctions





# Questions?



**G. Brent Connor**

Senior Counsel

[Brent.Connor@ThompsonHine.com](mailto:Brent.Connor@ThompsonHine.com)

202.263.4188

# Washington Update: Plan for Transportation Infrastructure Investment and Improvements

HPCLC Spring Conference

March 27, 2018



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# Transportation Infrastructure

- Key Trump campaign promise— “to rebuild America’s infrastructure” to improve:
  - America’s competitiveness
  - citizens’ quality of life
  - the economy



# Transportation Infrastructure

- Possible bipartisan issue?
- But it's an election year!



# Current Infrastructure Challenges

- Highway congestion—traffic delays result in \$160 billion annually in lost productivity
- 1 in 5 domestic flights are delayed or cancelled
- Seaports and inland waterways are aging and falling behind our global competitors
- Too much reliance on Federal funding
- Complexity and delays in the permitting and environmental review

# Miami Pedestrian Bridge Collapse



- Biggest challenge: **FUNDING**



# Funding Issues

- Insufficient federal funding from the General Treasury available to cover enormous investment that is needed
- Federal gas tax used to fund the highway system (Highway Trust Fund) is insufficient and unsustainable
  - no increase since 1993
  - no adjustment for inflation
  - increased fuel economy

# White House **Legislative Outline** for Rebuilding Infrastructure in America (Feb. 2018)

- Request for Congress to act on infrastructure bill
- **Proposes \$200 billion in federal funding** and a goal to stimulate at least **\$1.5 trillion** in new investment over 10 yrs.
- Expedite project approval process to 2 yrs. or less
- Encourage training of the future American workforce

# White House **Legislative Outline** for Rebuilding Infrastructure in America (Feb. 2018)

- Proposal covers:
  - roads, bridges, and airports
  - drinking and wastewater systems
  - waterways and water resources
  - energy
  - rural infrastructure
  - veterans' hospitals
  - Brownfield and Superfund sites

# White House Plan for Rebuilding Infrastructure in America

- Key Objectives:
  - Empower state and local decision-making
  - Partner with the private sector—and remove barriers to encourage greater private investment
  - Develop transformative technologies—automated vehicles, high speed rail, UAVs or drones?
  - Accelerate project delivery

# White House Plan to Streamline Transportation Infrastructure Projects

- **Highways:**
  - make FLMA federal contracting methods more flexible
  - increase threshold for major projects to \$1 billion to remove federal red tape for projects below the threshold
  - authorize states to repay federal investment to eliminate perpetual application of federal requirements, such as tolling restrictions, location of commercial plazas, restrictions on Interstate access, compliance with size and weight stds., highway beautification and HOV stds.

# White House Legislative Plan for Transportation Infrastructure Improvements

- Transit:

- Eliminate constraints on use of Public-Private Partnerships and amend the law to include value capture financing to encourage greater investment and decrease dependence on Federal grants

- Rail:

- Amend the law to clarify that all rail projects can take advantage of FAST Act streamlining provisions to expedite project delivery; and reduce statute of limitations from 2 years to 150 days to align rail project challenges to highway and transit SOLs

# White House Legislative Plan for Transportation Infrastructure Improvements

## ■ Airports:

- Limit FAA approval and oversight of non-aviation development activities at airports to create more efficient FAA oversight of critical airfield infrastructure
- Expand the number and size of airports that can participate in a pilot program regarding approval of privatization of an airport, and reduce percentage of airlines needed to approve privatization from 65% to majority vote

# White House Legislative Plan for Transportation Infrastructure Improvements

- **Waterways:**

- Allow non-federal public or private entities to access IWTF and general fund for inland waterway projects
- Authorize collection and retention of user fees by the federal gov't and third party service providers under WRRDA to defray costs; allow US Army Corps to retain recreation user fees generated from sites and facilities to address infrastructure and public safety

# White House Plan for Rebuilding Infrastructure in America

- Establishment of **transformative projects program**— federal grants to be available on a competitive basis
  - funding to be provided to ambitious, groundbreaking projects
  - that significantly improve safety, reliability, frequency or service speed and substantially reduce costs
- Program to be administered by the Department of Commerce with inter-agency involvement

# Democratic Infrastructure Proposal

- **Democrats unveil \$1 trillion infrastructure plan:**
  - \$1 trillion investment into a wide range of infrastructure needs, including \$140 billion for roads and bridges, \$115 billion for water and sewer infrastructure and \$50 billion to rebuild schools

# Democratic Infrastructure Proposal

- Seeks reversal of GOP tax cuts to finance the investment
- Would reinstate a top income tax rate of 39.6 percent, restore the individual alternative minimum tax, reverse estate tax cuts, and raise corporate income tax from 21 to 25 percent

# Closing Comments

- Chances for infrastructure bill are unclear: Election year reduces incentive for cooperation between Rs and Ds
- Will intervening events or priorities be the focus of Congress, i.e. gun control, immigration, tax reform II?
- Federal spending impact on the federal deficit?
- **Watch out** for user fees on one or more modal systems
- Dedicated funding for transportation projects or will monies offset other federal spending programs?
- Impacted parties should engage in the debate

# Questions(?)

**Karyn A. Booth**

**202.263-4108**

**[karyn.booth@thompsonhine.com](mailto:karyn.booth@thompsonhine.com)**

**[www.ThompsonHine.com](http://www.ThompsonHine.com)**



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