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# BREXIT: HOW A WEAKENED EUROPEAN UNION AFFECTS NAFTA

Phuong Tran\*

ON June 23, 2016, the United Kingdom's ("UK") referendum result was out: Brexit.<sup>1</sup> More than seventeen million British voters voted to leave the European Union ("EU") due to the increasing frustration with the EU's costs, inefficient policies, increasing bureaucracies, and net immigration policy.<sup>2</sup> After the UK declared Brexit, financial shockwaves swept throughout the global economy<sup>3</sup> – the pound fell to its lowest level since 1985,<sup>4</sup> and David Cameron resigned as Prime Minister of the country.<sup>5</sup> His successor, Theresa May, announced "Brexit means Brexit," but she has delayed triggering article 50 of the Lisbon Treaty<sup>6</sup> until an uncertain date sometime in 2017.<sup>7</sup> Beyond the UK's decision to withdraw, other remaining members of the EU have considered withdrawing from the EU.<sup>8</sup> Leading banks planned to pull out of the UK early next year.<sup>9</sup> At the same time, North American Free Trade Agreement ("NAFTA") members (Canada, United States, and Mexico) are ne-

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1. See Steven Erlanger, *Britain Votes to Leave E.U.; Cameron Plans to Step Down*, N.Y. TIMES (June 26, 2016), <http://nyti.ms/28TBE8a>.
2. See *UK votes to leave the EU*, BBC, [http://www.bbc.com/news/politics/eu\\_referendum/results](http://www.bbc.com/news/politics/eu_referendum/results) (last visited Oct. 23, 2016).
3. See *Pound plunges after Leave vote*, BBC (June 24, 2016), <http://www.bbc.com/news/business-36611512>.
4. *Id.*
5. See *Brexit: David Cameron to quit after UK votes to leave EU*, BBC (June 24, 2016), <http://www.bbc.com/news/uk-politics-36615028>.
6. Article 50 of the Lisbon Treaty regulates withdrawal of a Member State from the EU. Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union, Oct. 26, 2012, art. 50, 2012 O.J. (C 326) 13; Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community, Dec.13 2007, art. 49a, 2007 O.J. (C 306) 1.
7. See Peter Dominiczak & Michael Wilkinson, *Theresa May says Britain must look beyond Europe - as she vows to trigger Article 50 by March*, TELEGRAPH (Oct. 3, 2016), <http://www.telegraph.co.uk/news/2016/10/02/theresa-may-brexit-boris-johnson-david-davis-liam-fox-live/>.
8. See *Frexit, Nexit or Oexit? Who will be next to leave the EU*, GUARDIAN (June 27, 2016) <https://www.theguardian.com/politics/2016/jun/27/frexit-nexit-or-oexit-who-will-be-next-to-leave-the-eu>.
9. See Daniel Boffey, *Brexit: leading banks set to pull out of UK early next year*, GUARDIAN (Oct. 22, 2016), <https://www.theguardian.com/politics/2016/oct/22/leading-banks-set-to-pull-out-of-brexit-uk>.

gotiating new trade deals with the EU, one of their most significant trading partners. Brexit and the ongoing situations in the EU will undoubtedly cause unprecedented and unpredictable effects to NAFTA countries.

This paper aims to explore the effects of Brexit on NAFTA. The first part of this article discusses the ongoing issues within the EU. The second part discusses how Brexit and the ongoing situation in the EU will affect NAFTA.

## I. ONGOING ISSUES IN THE EU

The North American Free Trade Agreement is a trade agreement between Canada, Mexico, and the United States that was created to expand trade between the countries.<sup>10</sup> As a trade deal, NAFTA has limited goals and means, and very little, if any, political agenda. In contrast, the EU is a process of integration that blurs not only economic, but also political boundaries among its members.<sup>11</sup>

An example of the EU's attempt to integrate economic and political boundaries among its members is the euro. The EU pushed the euro as the single currency for EU members.<sup>12</sup> But the euro has caused many problems, including causing low rates of economic growth, and high unemployment across the EU.<sup>13</sup> For example, the euro's value is too high for a few countries, including Portugal, Italy, and Greece, making goods and services too costly.<sup>14</sup> But it is also almost impossible for these countries to devalue the euro.<sup>15</sup> This made their exports too expensive and uncompetitive.<sup>16</sup> This led to account deficits, decrease in exports, and low growth in a few EU countries.<sup>17</sup> On the other hand, the euro is too weak for Germany.<sup>18</sup> The euro underprices Germany's good and services.<sup>19</sup> Although the euro is not suitable for some of the EU members, there are no provisions for a Eurozone member country to drop the euro without withdrawing from the EU.<sup>20</sup>

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10. See North American Free Trade Agreement (NAFTA), USTR, <https://ustr.gov/trade-agreements/free-trade-agreements/north-american-free-trade-agreement-nafta> (last visited Oct. 23, 2016).

11. See *Regional integration*, EUROPEAN COMM'N., [http://ec.europa.eu/europeaid/sectors/economic-growth/regional-integration\\_en](http://ec.europa.eu/europeaid/sectors/economic-growth/regional-integration_en) (last visited Oct. 23, 2016).

12. See *The Euro*, EURO COMM'N ECON. & FINANCIAL AFFAIRS, [http://ec.europa.eu/economy\\_finance/euro/index\\_en.htm](http://ec.europa.eu/economy_finance/euro/index_en.htm) (last visited Oct. 23, 2016).

13. See Joseph Stiglitz, *The problem with Europe is the euro*, GUARDIAN (Aug. 10, 2016), <https://www.theguardian.com/business/2016/aug/10/joseph-stiglitz-the-problem-with-europe-is-the-euro>.

14. See Timothy Lee, *The euro was a big mistake, and Greece is paying the price*, VOX (June 30, 2015), <http://www.vox.com/2015/6/30/8868973/euro-greece-crisis-mistake>.

15. *Id.*

16. *Id.*

17. *Id.*

18. See Peter Coy, *After Brexit, Here's What's Next for Europe*, BLOOMBERG (June 30, 2016), <http://www.bloomberg.com/news/features/2016-06-30/after-brexit-here-s-what-s-next-for-europe>.

19. *Id.*

20. *Id.*

The EU has also created extra layers of bureaucracy. For example, the EU introduced the Qualified Majority Voting (“QMV”) in 2014 through the Treaty of Nice.<sup>21</sup> QMV allocates votes to member countries according to their populations.<sup>22</sup> It grants a majority for the ruling when approval of fifty-five percent of Member States is obtained and the approval must represent at least sixty-five percent of the EU’s population.<sup>23</sup> Under QMV, countries with larger populations get much more political advantages than others. If the EU member countries refuse to comply with a ruling by a majority of the QMV, the EU can impose a financial sanction.<sup>24</sup> Further, trade policy is an exclusive power of the EU.<sup>25</sup> Only the EU, not individual member countries, can legislate on trade matters and international trade agreements.<sup>26</sup> Its exclusive powers cover trade in goods, services, commercial aspects of intellectual property, and foreign investment.<sup>27</sup> This exclusive power of the EU makes its members extremely dependent on its bureaucracy.

Free movement of labor is a cornerstone of the EU. But this policy has caused a lot of problems for many countries in the EU. For example, the UK’s population is set to increase by seventy million in the next decade because of immigration.<sup>28</sup> Countries in the EU are powerless to limit immigration from Eastern Europe.<sup>29</sup> They also have struggled integrate many of them.<sup>30</sup>

The UK will not leave the EU immediately—it is still a member of the EU,<sup>31</sup> and it will probably remain in the EU for several years.<sup>32</sup> But countries that have similar issues with the EU system could gain momentum for similar referendums.<sup>33</sup> France, for example, faces many problems being a member of the EU. Although France is the EU’s driving force, it has weak economic growth due to the austerity measures during the re-

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21. *Qualified majority*, EU-LEX, [http://eur-lex.europa.eu/summary/glossary/qualified\\_majority.html](http://eur-lex.europa.eu/summary/glossary/qualified_majority.html) (last visited Oct. 23, 2016).
  22. *See Qualified majority*, EUROPEAN COUNCIL, <http://www.consilium.europa.eu/en/council-eu/voting-system/qualified-majority/> (last visited Oct. 23, 2016).
  23. *See Treaty of Nice amending the Treaty on European Union, the Treaties establishing the European Communities and certain related acts*, Feb. 26, 2001, 2001 O.J. (C 080) 1.
  24. *See Angana Banerji et al., Building a Better Union: Incentivizing Structural Reforms in the Euro Area*, IMF, <https://www.imf.org/external/pubs/ft/wp/2015/wp15201.pdf> (last visited Oct. 23, 2016).
  25. *Treaty of Lisbon amending the Treaty on European Union and the Treaty Establishing the European Community*, Dec. 12, 2007, art.288, 2007 O.J. (C 306) 1.
  26. *See Policy Making*, EUROPEAN COMM’N, <http://ec.europa.eu/trade/policy/policy-making/>.
  27. *Id.*
  28. *See UK population ‘to top 70 million in 12 years’*, BBC (Oct. 25, 2015), <http://www.bbc.com/news/uk-34666382>.
  29. *See Rick Noack, These countries could be next now that Britain has left the E.U.*, WASH. POST (June 24 2016), <https://www.washingtonpost.com/news/worldviews/wp/2016/06/23/these-countries-could-be-next-if-britain-leaves-the-e-u/>.
  30. *Id.*
  31. *See Brexit: What happens now?*, BBC (July 29, 2016), <http://www.bbc.com/news/uk-politics-eu-referendum-36420148>.
  32. *Id.*
  33. *Id.*

cession.<sup>34</sup> France has not managed to escape high unemployment rates.<sup>35</sup> France also has experienced an increased threat of terrorism.<sup>36</sup> Like France, Denmark and Sweden face threats to their welfare system with the net immigration policy.<sup>37</sup> Sweden and Denmark also have many policies similar to the UK.<sup>38</sup> And both of them rely on the UK as a strong ally in negotiations with the EU.<sup>39</sup> To Greece, the ongoing crisis with the euro combined with Brexit is a threat to Greece's membership status.<sup>40</sup> Without the UK, Greece will become a greater burden for the remaining members.<sup>41</sup> The EU may push Greece out in order to save cohesion among the remaining members.<sup>42</sup>

## II. HOW BREXIT AND A WEAKENED EU AFFECT NAFTA

After Brexit, there are many discussions about the possibility of the UK joining NAFTA. Further, NAFTA countries are in different steps of striking new trade deals with the EU. This section will discuss the possibility of the UK joining NAFTA and how ongoing issues in the EU affect NAFTA frameworks.

### A. THE POSSIBILITY OF THE UK JOINING NAFTA

The UK is one of the top ten most important trading partners to the U.S. Back in the 1990s, members of the United States' Congress even wanted to include the UK in the trade deal.<sup>43</sup> In 1999, the Senate Finance Committee even conducted a study on the prospect of the UK joining NAFTA.<sup>44</sup> From 2011 to 2015, the US exported approximately \$268,217.7 millions in goods to the UK,<sup>45</sup> and the UK exported approximately \$271,664.7 millions in goods to the US.<sup>46</sup> From January to August 2016, the US already exported approximately \$36.88 millions in goods to the UK; and the UK exported approximately \$35.46 millions to the U.S.<sup>47</sup>

The UK is also one of the most important trading partners with Canada. In the last five years, the UK was consistently in the top three

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34. *Id.*

35. *Id.*

36. See *Timeline: Attacks in France*, BBC (July 26, 2016), <http://www.bbc.com/news/world-europe-33288542>.

37. See Rick Noack, *These countries could be next now that Britain has left the E.U.*, WASH. POST (June 24 2016), <https://www.washingtonpost.com/news/worldviews/wp/2016/06/23/these-countries-could-be-next-if-britain-leaves-the-e-u/>.

38. *Id.*

39. *Id.*

40. *Id.*

41. *Id.*

42. *Id.*

43. See Andrew Marshall, *US senators call for Britain to join Nafta*, INDEP. (Nov. 19, 1999), <http://www.independent.co.uk/news/business/us-senators-call-for-britain-to-join-nafta-1127439.html>.

44. *Id.*

45. See *Trade in Goods with United Kingdom*, U.S. CENSUS BUREAU, <https://www.census.gov/foreign-trade/balance/c4120.html> (last visited Oct. 24, 2016).

46. *Id.*

47. *Id.*

trading partners with Canada.<sup>48</sup> Canada does far more business with the UK than other EU countries.<sup>49</sup> In fact, the UK is the destination for more than forty percent of EU-bound Canadian merchandises exports, and accounts for more than twenty-five percent of two-way Canada-EU merchandise trade and roughly one-third of two-way services trade, including financial services.<sup>50</sup>

The UK is also in the top fifteen most important trading partners with Mexico.<sup>51</sup> In 2014, trade between the UK and Mexico was worth \$32 million.<sup>52</sup> As of 2015, Mexico exported \$2 million in goods to the UK.<sup>53</sup>

The UK is also one of the oldest and most important military allies to the US and Canada. For many decades, the US has treated the UK as its most important military ally,<sup>54</sup> and has given the UK more military privileges than any other nation.<sup>55</sup> The US government also shares more intelligence with the UK than it does with any other country.<sup>56</sup> The U.S. relies on the UK's skilled military in global operations against terrorists.<sup>57</sup> Canada also shares a long history of close cooperation in military affairs with the UK.<sup>58</sup> Furthermore, the U.S., Canada, and the UK are members of the United Kingdom – United States of America Agreement (“UKUSA” agreement), an alliance of signals intelligence operations that is responsible for global surveillance.<sup>59</sup>

Currently, the UK has relatively very little leverage in negotiating new trade deals with current NAFTA countries.<sup>60</sup> It is unlikely that NAFTA countries will add the UK as their fourth member any time soon. Without striking a new trade deal with NAFTA members, the UK will easily

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48. See *Imports, exports and trade balance of goods on a balance-of-payments basis; by country or country grouping*, GOV. CAN. STATISTICS, <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/gblec02a-eng.htm> (last visited Oct. 24, 2016).

49. *Id.*

50. *Id.*

51. See Daniel Workman, *Mexico's Top Import Partners*, WORLD'S TOP EXPS. (June 3, 2016), <http://www.worldstopexports.com/mexicos-top-import-partners/>.

52. See *Doing business in Mexico: Mexico trade and export guide*, DEPT. INT'L TRADE, <https://www.gov.uk/government/publications/exporting-to-mexico/exporting-to-mexico> (last visited Oct. 24, 2016).

53. See Daniel Workman, *Mexico's Top Import Partners*, WORLD'S TOP EXPS. (June 3, 2016), <http://www.worldstopexports.com/mexicos-top-import-partners/>.

54. See Gavin Hewitt, *US-UK: Strains on a special relationship*, BBC (Apr. 20, 2016), <http://www.bbc.com/news/uk-36084672>.

55. See Missy Ryan, *U.S. military ties with Britain are sheltered from Brexit storm, officials say*, WASH. POST (June 28, 2016), [https://www.washingtonpost.com/world/national-security/us-military-ties-with-britain-are-sheltered-from-brex-it-storm-officials-say/2016/06/28/0bc05fd6-3d33-11e6-80bc-d06711fd2125\\_story.html](https://www.washingtonpost.com/world/national-security/us-military-ties-with-britain-are-sheltered-from-brex-it-storm-officials-say/2016/06/28/0bc05fd6-3d33-11e6-80bc-d06711fd2125_story.html).

56. *Id.*

57. *Id.*

58. *Id.*

59. Members of the UKUSA include Australia, Canada, New Zealand, the UK, and the US. See Paul Farrell, *History of 5-Eyes – explainer*, GUARDIAN (Dec. 2, 2013), <https://www.theguardian.com/world/2013/dec/02/history-of-5-eyes-explainer>.

60. See Michiel van Hulten, *Brexit process is now out of Britain's hands*, THE PARLIAMENT (June 24, 2016), <https://www.theparliamentmagazine.eu/articles/opinion/brexit-process-now-out-britains-hands>.

slip into recession.<sup>61</sup> Economic depression will often lead to shrinking military spending.<sup>62</sup> Thus, NAFTA countries must consider making new trade deals with the UK to avoid losing an irreplaceable ally.

## B. CURRENT RELATIONS AND FUTURE TRADE DEALS BETWEEN NAFTA COUNTRIES AND THE EU

### 1. *Current Relations Between NAFTA Countries and the EU*

The EU is also one of the most important trading partners with NAFTA countries. The EU and the U.S. economies account for nearly a third of world trade flows.<sup>63</sup> In 2015, the EU was in the top three trading partners to NAFTA countries.<sup>64</sup> From 2011 to 2015, the US imported approximately \$397,176.5 million and exported \$268,946.6 million in goods annually to and from the EU.<sup>65</sup> Since 2010, the EU has consistently been Canada's second largest exporter (approximately \$47,549.42 millions in goods annually) and second largest importer (approximately \$55,719.00 millions in goods annually).<sup>66</sup> As of 2015, the EU is Mexico's third-largest trading partner (after the US and China).<sup>67</sup> From 2011 to 2015, Mexico imported approximately \$28,273.8 millions and exported approximately \$19,872.10 millions in goods from and to the EU annually.<sup>68</sup>

### 2. *Potential Trade Deals Between NAFTA Countries and the EU*

All three of the NAFTA countries are negotiating new trade deals with the EU. The US and the EU have been negotiating the Transatlantic Trade and Investment Partnership ("TTIP") since 2013,<sup>69</sup> and they both

61. See Missy Ryan, *U.S. military ties with Britain are sheltered from Brexit storm*, *officials say*, WASH. POST (June 28, 2016), [https://www.washingtonpost.com/world/national-security/us-military-ties-with-britain-are-sheltered-from-brexit-storm-officials-say/2016/06/28/0bc05fd6-3d33-11e6-80bc-d06711fd2125\\_story.html](https://www.washingtonpost.com/world/national-security/us-military-ties-with-britain-are-sheltered-from-brexit-storm-officials-say/2016/06/28/0bc05fd6-3d33-11e6-80bc-d06711fd2125_story.html).

62. *Id.*

63. See *United States*, EUROPEAN COMM'N, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states/> (last visited Oct. 24, 2016).

64. See *European Union*, OFFICE OF THE U.S. TRADE REP., <https://ustr.gov/countries-regions/europe-middle-east/europe/european-union> (last visited Oct. 24, 2016); see *European Union, Trade with Mexico*, EUROPEAN COMM'N, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/mexico/> (last visited Oct. 24, 2016); see also *Imports, exports and trade balance of goods on a balance-of-payments basis, by country or country grouping*, GOV. CAN. STATISTICS, <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/gblec02a-eng.htm> (last visited Oct. 24, 2016).

65. See *Trade in Goods with European Union*, U.S. CENSUS BUREAU, <https://www.census.gov/foreign-trade/balance/c4120.html> (last visited Oct. 25, 2016).

66. See *Imports, exports and trade balance of goods on a balance-of-payments basis, by country or country grouping*, GOV. CAN. STATISTICS, <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/gblec02a-eng.htm> (last visited Oct. 24, 2016).

67. See *Mexico*, EUROPEAN COMM'N, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/mexico/> (last visited Oct. 24, 2016).

68. See *European Union, Trade in goods with Mexico*, EUROPEAN COMM'N, [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113418.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113418.pdf) (last visited Oct. 24, 2016).

69. See *United States*, EUROPEAN COMM'N, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states/> (last visited Oct. 24, 2016).

expect to conclude negotiation in 2016.<sup>70</sup> Proponents of the TTIP claim that it will be an innovative agreement that provides greater compatibility and transparency in trade and investment regulation, and maintains high levels of health, safety, and environmental protection.<sup>71</sup> If the TTIP succeeds, it will link the world's largest economies – the US and the EU.<sup>72</sup> In addition, TTIP will become the world's largest free trade, controlling more than third of the world's total economic output.<sup>73</sup>

Similarly, Canada and the EU started negotiating for the EU-Canada Comprehensive Economic and Trade Agreement (“CETA”) in May 2009.<sup>74</sup> Both countries have targeted 2017 for ratification and entry into force of CETA.<sup>75</sup> CETA aims to “remove customs duties, end restrictions on access to public contracts, open-up the services market, offer better conditions for investors and help prevent illegal copying of EU innovations and traditional products.”<sup>76</sup> Mexico also started the first negotiation round for a new trade agreement with the EU in June 2016.<sup>77</sup> This new agreement is to modernize the EU-Mexico Global Agreement and to adapt the EU-Mexico relations to the new realities of global trade and investment policies and flows.<sup>78</sup>

Under TTIP, CETA, and EU-Mexico Agreement, nearly all import duties maintained by NAFTA countries and the EU on each other's goods are to be eliminated when the agreement enters into force.<sup>79</sup> If the UK is not part of the EU, neither NAFTA countries' exports to the UK nor UK exports to NAFTA countries will benefit from those preferences.

### 3. *Obstacles Arising from NAFTA Affect Potential Trade Deals with the EU.*

After more than twenty years, some of NAFTA's regulations still remain controversial. These controversial regulations include the Investor-

70. *Id.*

71. See Transatlantic Trade and Investment Partnership (T-TIP), USTR, <https://ustr.gov/ttip> (last visited Nov. 23, 2016).

72. *Id.*

73. *Id.*

74. See *Canada*, EUROPEAN COMM'N, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/canada/> (last visited Oct. 24, 2016).

75. See Matthew Kronby, *Brexit and CETA: Hello EU, à Bientôt UK?*, CTR. INT'L GOVERNANCE INNOVATION (May 20, 2016), <https://www.cigionline.org/publications/brexit-and-ceta-hello-eu-bientot-uk>.

76. See *Comprehensive Economic and Trade Agreement (CETA)*, EUROPEAN COMM'N <http://ec.europa.eu/trade/policy/in-focus/ceta/> (last visited Nov. 23, 2016).

77. See *Mexico*, EUROPEAN COMM'N, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/mexico/> (last visited Oct. 24, 2016).

78. *Id.*

79. See *The Transatlantic Trade and Investment Partnership (TTIP)*, EUROPEAN COMM'N, <http://ec.europa.eu/trade/policy/in-focus/ttip/> (last visited Oct. 24, 2016); see *Comprehensive Economic and Trade Agreement (CETA)*, EU COMM'N, <http://ec.europa.eu/trade/policy/in-focus/ceta/> (last visited Oct. 24, 2016); see also *Mexico*, EU COMM'N, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/mexico/> (last visited Oct. 24, 2016).

State Dispute Settlement (“ISDS”) mechanism<sup>80</sup> and health, food safety, labor, and environmental standards<sup>81</sup>. Combining with an unstable and weakened EU, these issues create widespread trade skepticism that affects potential deals with the EU.

The EU members oppose the Investor-State Dispute Settlement (ISDS) mechanism,<sup>82</sup> which already exists under Chapter 11 of NAFTA.<sup>83</sup> The ISDS provisions permit foreign investors to bring claims against governments if they do not uphold the protections offered in the trade pact.<sup>84</sup> It authorizes corporations to sue member countries in private tribunals.<sup>85</sup> To resolve public concerns that the ISDS mechanism might bring, in July 2014, the European Parliament and Council adopted a regulation to identify possible financial responsibility from ISDS settlements.<sup>86</sup> The regulation allocates between the EU and the member states the financial responsibility on the basis of who adopted the treatment responsible for a breach of the agreement.<sup>87</sup> This regulation also identifies who would defend a particular case.<sup>88</sup>

In November 2015, the European Parliament and Council agreed on a reformed investment dispute settlement approach.<sup>89</sup> The new policy will create a permanent Investment Court System (ICS) and more precise rules on investment protection.<sup>90</sup> The EU has proposed this new policy in the ongoing negotiations with NAFTA countries.<sup>91</sup> This new policy may affect NAFTA’s current ISDS mechanism in terms of having a permanent arbitration system and more precise rules on investment protection. But NAFTA countries may not easily give up the current ISDS mechanism, which has been utilized for over two decades.<sup>92</sup>

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80. See Alex Lawson, *EU Reports ‘Huge Skepticism’ To TTIP Investor Protections*, LAW360 (Jan. 13, 2015), <http://www.law360.com/articles/610874/eu-reports-huge-skepticism-to-ttip-investor-protections>.

81. See Phillip Inman, *Prospect of TTIP already undermining EU food standards, say campaigners*, GUARDIAN (Oct. 15, 2015), <https://www.theguardian.com/business/2015/oct/18/prospect-ttip-deal-undermining-eu-food-standards-gmos>.

82. See *Dispute settlement*, EUROPEAN COMM’N, <http://ec.europa.eu/trade/policy/accessing-markets/dispute-settlement/> (last visited Oct. 24, 2016).

83. North American Free Trade Agreement, U.S.-Can.-Mex., Dec. 17, 1992, 32 I.L.M. 289 (1993).

84. See David Sirota, *Trade Pact: How the Trans-Pacific Partnership Gives Corporations Special Legal Rights*, INT’L BUS. TIMES (June 22, 2015, 8:31 AM), <http://www.ibtimes.com/trade-pact-how-trans-pacific-partnership-gives-corporations-special-legal-rights-1975817>.

85. *Id.*

86. See *Investment Protection and Investor-to-State Dispute Settlement in EU agreements – Fact Sheet*, EUROPEAN COMM’N (Nov. 2013), [http://trade.ec.europa.eu/doclib/docs/2013/november/tradoc\\_151916.pdf](http://trade.ec.europa.eu/doclib/docs/2013/november/tradoc_151916.pdf), p.7.

87. See *Dispute settlement*, EUROPEAN COMM’N, <http://ec.europa.eu/trade/policy/accessing-markets/dispute-settlement/> (last visited Oct. 24, 2016).

88. *Id.*

89. *Id.*

90. *Id.*

91. *Id.*

92. NAFTA came into effect in 1994 and was the first trade agreement among developed countries to include investor-state dispute settlement (ISDS) provisions. See NAFTA, ISDS, <http://isds.bilaterals.org/?-isds-nafta-> (last visited Nov. 24, 2016).

Another obstacle stems from NAFTA's regulations on health, food safety, labor, and environmental standards.<sup>93</sup> The EU generally has higher requirements and standards for health, food safety, labor, and environmental than the frameworks used in NAFTA.<sup>94</sup> For example, the EU specifically prohibits the use of GMOs and the use of antibiotics and hormones in animals raised for food.<sup>95</sup> These concerns may affect NAFTA frameworks on health, food safety, labor, and environmental regulations, which may require NAFTA countries to raise the standards in order to earn trust and support for future trade deals.

As of October 24, 2016, all three trade deals have been put on halt. Belgium cannot back CETA while the other twenty-seven EU nations want to sign the agreement.<sup>96</sup> European Parliament President Martin Schulz admitted there would not be a solution for CETA any time soon.<sup>97</sup> Bernd Lange, Chairman of the International Trade Committee of the European Parliament and CETA supporter, also doubted that the deal had much hope in the near future.<sup>98</sup> Germany's Economy Minister Sigmar Gabriel announced that negotiations on the TTIP had essentially failed because the EU "did not want to subject [itself] to American demands."<sup>99</sup> There are increasing concerns that TTIP would undermine the EU's food safety, environmental standards, and job security.<sup>100</sup> The first and last negotiation round between the EU and Mexico was over four months ago.<sup>101</sup>

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93. See Jennifer Rankin, *EU and US trade negotiators seek to get TTIP talks back on track*, GUARDIAN (Sep. 30, 2016), <https://www.theguardian.com/business/2016/sep/30/ttip-eu-and-us-trade-negotiators-seek-to-get-talks-back-on-track>; see also *Europe's Free-Trade Advocates Need to Speak Up*, BLOOMBERG (Sep. 27, 2016), <https://www.bloomberg.com/view/articles/2016-09-27/defenders-of-ceta-and-ttip-need-to-speak-louder>.
  94. See Jennifer Rankin, *EU and US trade negotiators seek to get TTIP talks back on track*, GUARDIAN (Sep. 30, 2016), <https://www.theguardian.com/business/2016/sep/30/ttip-eu-and-us-trade-negotiators-seek-to-get-talks-back-on-track>.
  95. See Phillip Inman, *Prospect of TTIP already undermining EU food standards, say campaigners*, GUARDIAN (Oct. 15, 2015), <https://www.theguardian.com/business/2015/oct/18/prospect-ttip-deal-undermining-eu-food-standards-gmos>.
  96. The Walloon parliament in southern Belgium, representing less than 1% of the EU's population, refuse backing CETA, a deal that has been negotiated for seven years. See Chris Morris, *What the CETA debacle with Canada means for EU politics*, BBC NEWS (Oct. 25, 2016), <http://www.bbc.com/news/world-europe-37756284>.
  97. See *CETA is 'de facto dead,' admit top European Parliament backers*, DEUTSCHE WELLE (Aug. 8, 2016), <http://dw.com/p/2RfCD>.
  98. *Id.*
  99. See *Germany's Vice Chancellor Gabriel: US-EU trade talks 'have failed'*, DEUTSCHE WELLE (Oct. 25, 2016), <http://dw.com/p/1JrHl>; see also Andrew Hammond, *The future of trade has rarely looked more uncertain*, TELEGRAPH (Oct. 25, 2016), <http://www.telegraph.co.uk/business/2016/10/25/the-future-of-trade-has-rarely-looked-more-uncertain/>.
  100. See Phillip Inman, *Prospect of TTIP already undermining EU food standards, say campaigners*, GUARDIAN (Oct. 15, 2015), <https://www.theguardian.com/business/2015/oct/18/prospect-ttip-deal-undermining-eu-food-standards-gmos>.
  101. See *Joint Press release on the first round of EU-Mexico negotiations of the Global Agreement*, EU EXTERNAL ACTION (June 14, 2016), [https://eeas.europa.eu/headquarters/headquarters-homepage/5001\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/5001_en).

### III. CONCLUSION

Brexit and the ongoing situations in the European Union undoubtedly will cause unprecedented and unpredictable effects to NAFTA. It is unlikely that NAFTA countries would politically support either the UK or the EU. It is also unlikely that the UK will become a new member of NAFTA after the UK leaves the EU. But in order to avoid losing an irreplaceable ally, NAFTA countries must consider making a deal with the UK. NAFTA countries and the EU have tried to move forward with the new trade deals. In light of the Article 50 process, it is clear that the UK withdrawal from the EU could delay their progress. Further, the increasing public concerns on ISDS mechanism and regulations on health, food safety, labor, and environmental standards will affect current NAFTA regulations.