



August 25, 2017

Hon. John McCain
218 Russell Senate Office Building
Washington, DC 20510

Dear Senator McCain:

Upon the conclusion of the first round of the renegotiation of the North American Free Trade Agreement between the United States, Canada, and Mexico, the Border Trade Alliance believes that this is an opportune time to share with you our organization's views on what should guide the U.S.' negotiating positions throughout the renegotiation process.

The BTA since 1986 has advocated for a cross-border trade environment that is characterized by its efficiency, security, and that is constrained by as few barriers – tariffs or otherwise – to its conduct as practicable. Thus, we approach a renegotiation of NAFTA through the lens of an organization that was a vocal supporter of the agreement at the time of its original negotiation and implementation.

We remain a supporter of NAFTA today. Not only has the agreement generated millions of jobs throughout North America over its lifetime, but it has been central to ensuring that major components of industries' supply chains and their associated jobs have remained in the U.S., Canada and Mexico, rather than migrating to Asia or other markets. We welcome a revisiting of the agreement as an opportunity to modernize NAFTA to align with the realities of today's economy, not as a step toward dismantling it.

First and foremost, we believe renegotiation should do no harm. Nearly 9 million U.S. jobs depend on trade with Canada. Five million U.S. jobs are attributed to trade with Mexico. Our three nations' supply chains are deeply integrated, which has created a highly efficient, just-in-time manufacturing environment that has resulted in an enhanced quality of life throughout the region. Reflective of our constituency, the BTA is especially sensitive to the benefits our shared border regions deliver to the overall U.S. economy, which are not adequately reflected in typical government reporting. Policymakers in all three countries must consider the positive impacts that border-area retail, services, and tourism have on border communities of all sizes. Any attempt to exit NAFTA would result in self-inflicted economic damage to the U.S. economy and the entire region.

We recognize that trade agreement negotiations are highly technical affairs where each party attempts to extract the best deal for its particular side. We would encourage all parties, however, to recognize the deep interdependency woven throughout the economies of the NAFTA partners. As Mexico's Economy Minister, Ildefonso Guajardo, indicated on the first day of talks, renegotiation presents an opportunity for a win-win-win.

With that in mind, the BTA believes the U.S. negotiating position should be characterized thusly:

- It should be future-focused, seeking to ensure that the next NAFTA is aligned with today's economy;
- that it recognizes that tariff-free trade enhances the competitiveness of all of North America, including and especially U.S. manufacturers;
- that the agreement enhances the quality of life of U.S. consumers through greater choice, increased competition, and lower prices;
- that the renegotiation should be conducted trilaterally;
- that negotiations should be conducted with urgency, so as to minimize the uncertainty that has already been injected into the North American economy, negatively affecting U.S. export levels;
- that a new NAFTA should continue to seek to remove non-tariff barriers to trade, which add needless costs and delays to the conduct of cross-border business;
- that the agreement should develop a mechanism for facilitating the movement of workers needed to fill the labor gaps that exist today; and
- that renegotiation offers the opportunity for the three nations to memorialize security protocols toward promoting consensus over a shared definition of what constitutes adequate border security.

As part of a formal public comment period, the BTA in July provided to the office of the United States Trade Representative specific policy recommendations that we would urge the administration to pursue in negotiations.

Those recommendations include amending rules of origin to eliminate loopholes; improving and simplifying customs processes; updating dispute settlement tools so that governments can better work to resolve differences; ensuring each country's visa policies are reflective of the realities of conducting cross-border business; and updating our countries' approaches to trucking, infrastructure, and financial services.

We are hopeful that the renegotiated NAFTA the U.S. Senate will be asked to adopt will reflect the scope and spirit of the recommendations the BTA and other likeminded organizations have presented to the USTR.

When the time comes for the Senate to take up the new agreement, however, we would urge you to resist attempts to inject into the debate new issues that are outside the scope of NAFTA or that would undercut the agreement's competitiveness.

For example, pursuing higher tariffs or some other aggressive trade action out of a desire to punish perceived unfair trade practices would result in higher costs to U.S. consumers and higher barriers to entry for U.S. manufacturers in foreign markets. Similarly, we would also caution pursuing so called "Buy American" policies that, while noble in their desire to promote job growth here at home, would risk our trading partners adopting similar policies that make it more difficult for U.S. firms to compete abroad, hamstringing our own U.S. domestic economic growth. Finally, we would urge you to reject attempts to limit U.S. investment abroad, which would only diminish foreign investment here in the U.S. and jeopardize the jobs that depend on such investment.

A NAFTA that reflects today's economic realities and that embraces the idea of ensuring North America remains the globe's most competitive region for investment and job creation is essential for the U.S.' continued economic growth. We would encourage you to keep these goals in mind when it comes time to act on a modernized NAFTA.

Sincerely,



Russell Jones
Chairman



Britton Clarke
President