Border Trade Alliance™

December 20, 2018

Lisa Barton
Secretary to the Commission
United States International Trade Commission
500 E Street, SW, Room 112A
Washington, DC 20436

RE: Investigation No. TPA-105-003
United States-Mexico-Canada Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors

Dear Ms. Barton:

The Border Trade Alliance appreciates the opportunity to comment on Investigation No. TPA-105-003 regarding the United States-Mexico-Canada Agreement (USMCA). Our organization, which for over 30 years has represented public and private sector stakeholders along the U.S.-Canada and U.S.-Mexico borders, takes a deep interest in the trade agreement that will govern North American cross-border trade in the years to come.

The need for modernization

The BTA in June 2017 in comments submitted to the United States Trade Representative argued that the nearly 25-year-old North American Free Trade Agreement had been central to North America's prosperity and global competitive standing, but was due for an upgrade to better align the agreement with today's economy.

At the outset of negotiations, the BTA said that all three countries should seek to do no harm. We believe the resulting USMCA has been successful to that end.

We applaud the administration for embracing the concept of modernization and rejecting a dismantling of the free trade framework that the U.S., Canada, and Mexico have employed to create sophisticated supply chains across borders and to create jobs.

Nearly nine million U.S. jobs depend on trade with Canada. Five million U.S. jobs can be 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.

We believe those benefits generated by the original NAFTA will be enhanced under a ratified USMCA.

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Issue areas for further consideration

The BTA supports the USMCA and will continue to call for its ratification as negotiated. In our assessment of the agreement, however, we would like to comment specifically on the following items:

De minimis levels

The USMCA includes an increase in NAFTA's former *de minimis* rules. By Canada and Mexico raising their *de minimis* levels, we are hopeful that more small and medium U.S. business can reach customers in those countries without duties being assessed on the shipments, while avoiding the regulatory burdens that previously applied to these comparatively low-value transactions.

USCMA sets the new Canadian level at C$150 and the new Mexican level at US$117. The BTA supports higher *de minimis* levels, but we acknowledge that the U.S. level of $800 remains much higher than our neighboring countries. In short, it is less expensive for U.S. consumers to buy from Canadian and Mexican sellers than vice versa.

We hope the USMCA sets in motion a process by which Canada and Mexico continue to raise their own levels, which the U.S. did 2016. We should note that the USCMA grants parties the ability to reduce their *de minimis* level; we hope that provision will prove unnecessary for the U.S. to employ and that our trading partners will continue to make it easier for U.S. business to reach customers in Canada and Mexico by raising their levels over time.

Agricultural seasonality

Critics of the USMCA claim that the agreement will harm certain domestic produce growers, and they have been calling for the installation of new measures to dramatically curtail the importation of certain produce from Mexico. This is unfortunate. The BTA believes the USMCA properly addressed this matter to the benefit of U.S. consumers.

We are currently seeing the impact on price, variety, and availability that trade disruptions – whether by government regulation or external forces like weather or labor disputes – can have.

For example, avocado prices in this country of late have experienced tremendous volatility and suppliers have reported increased shortages due in part, unfortunately, to the U.S.' failure to allow for the importation of avocados beyond the Mexican state of Michoacán despite a May 2016 U.S. Department of Agriculture rule to do so.

The most vocal opponents of produce importation from Mexico hail from interests representing tomato growers in the Southeast U.S. But consumers have spoken; they prefer the taste and texture of Mexican-grown tomatoes. Attempts by domestic special interests to block their importation runs counter to the spirit of a trinational free trade agreement and are an affront to consumer preference.

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Section 232 tariffs

The BTA acknowledges that the establishment of tariffs under the auspices of Section 232 of the Trade Expansion Act of 1962 are not specifically contemplated under the USMCA. However, we are concerned that the imposition of a Sec. 232 tariff regime on imported steel and aluminum – including on such imports originating from Canada and Mexico – is incongruent with the stated goals of the USMCA.

The BTA would encourage the administration to apply Sec. 232 tariffs only in the rarest of instances when U.S. national security faces a clear and present danger. Furthermore, we strongly support thorough consultation with the U.S. Congress before such tariffs are imposed.

Like many in the U.S. trade community, we recognize the justifiable concerns held over China's conduct of international trade and its flouting of rules regarding state subsidization of industry, intellectual property protections, and more. However, we believe the imposition of the current steel and aluminum tariff regime – and the resulting retaliatory tariffs on U.S. exports – has done more to harm domestic manufacturing and relations with our neighboring trade partners than it has to address specific behavior by the Chinese. To that end, we encourage the U.S. administration to remove the steel and aluminum tariffs on Canadian and Mexican imports as soon as possible.

Implementing legislation and the North American Development Bank

With action by the U.S. Congress still necessary to complete ratification of the USMCA, it is worth noting that the BTA supports a General Capital Increase (GCI) for the North American Development Bank, which we believe will expand the good work and positive impact of the institution. We believe that legislation implementing the USMCA would serve as an ideal vehicle to advance a GCI.

Throughout its history, NADB has provided over $2.76 billion in loans and grants to support infrastructure projects in the border region. NADB has leveraged its initial paid-in capital of $405 million into investments totaling $8.2 billion in sustainable infrastructure, representing a 1:20 total leveraged investment ratio and benefitting more than 12 million residents of the region.

The work of the NADB is valuable and necessary, and we look forward to discussing the value of a GCI when Congress considers the broader USMCA in 2019.

An agreement worthy of ratification

The BTA supports ratification of the USMCA. We applaud the administrations of all three countries for their diligent work in reaching agreement on a pact that establishes greater certainty for manufacturers, suppliers, distributors, and investors, and that will ensure the region's continued economic competitiveness.

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Thank you again for the opportunity to submit these comments. We welcome the chance to continue to serve as a resource to the ITC and the rest of the administration as the ratification process unfolds.

Sincerely,

Paola Avila
Chair

Britton Clarke
President

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