



Statement of the U.S. Chamber of Commerce

PRE-HEARING BRIEF

**ON: “United States-Mexico-Canada Agreement (USMCA):
Likely Impact on the U.S. Economy and on Specific Industry Sectors”**

TO: U.S. International Trade Commission

BY: U.S. Chamber of Commerce

DATE: October 30, 2018

1615 H Street NW | Washington, DC | 20062

The Chamber’s mission is to advance human progress through an economic,
political and social system based on individual freedom,
incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America's free enterprise system.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. In addition to 117 American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

The U.S. Chamber of Commerce appreciates the opportunity to present the following pre-hearing brief to the U.S. International Trade Commission investigation entitled “The United States-Mexico-Canada Agreement (USMCA): Likely Impact on the U.S. Economy and on Specific Industry Sectors.” The Chamber will expand upon these comments in a subsequent submission.

On September 30, 2018, the governments of the United States, Canada, and Mexico released the text of the USMCA as a successor to the 1992 North American Free Trade Agreement (NAFTA). In recent weeks, U.S. Chamber member companies and associations have examined the text to arrive at an assessment of whether and how the agreement achieves objectives for which we advocated. The following comments are based on feedback provided to Chamber staff by member companies, which include firms of every size, sector, and state.

The NAFTA’s positive status quo was maintained in many regards. The NAFTA eliminated all tariffs on trade between the United States and Mexico and 99% of tariffs between the United States and Canada (on a trade-weighted basis), and this arrangement is maintained under USMCA. This important outcome hews to the simple advice offered by the Chamber throughout the past year and half to “first, do no harm” in the negotiations with Canada and Mexico.

Chamber members have noted the agreement includes strong, positive provisions in a number of chapters, some of which surpass the quality achieved in any earlier U.S. trade agreement. Among these exemplary chapters are those addressing Digital Trade, Intellectual Property, Financial Services, Sanitary and Phytosanitary Measures, Technical Barriers to Trade, Competition Policy, State-Owned Enterprises, Good Regulatory Practices, Telecommunications, and Customs and Trade Facilitation. New market access is limited to an incremental opening of Canada’s dairy market and a few other modest changes.

There was no change to provisions on State-to-State Dispute Settlement, those relating to binational panels to review AD/CVD rulings (i.e., NAFTA’s Chapter 19), or Temporary Entry. While the USMCA represents a missed opportunity to update these provisions, the business community regards these as positive outcomes (relative to the possibility of seeing these provisions terminated, as was under discussion).

In the judgment of Chamber members, however, USMCA did not achieve positive results in all areas. It represents a notable step back from the original agreement’s investment protections, including Investor-State Dispute Settlement. Automakers are scrutinizing the rules of origin for autos, which represent a substantial expansion of government regulation of the continent’s largest manufacturing sector, and some firms are concerned these rules will raise costs and undermine North American competitiveness. The agreement terminates coverage of Government Procurement in the U.S.-Canada relationship and limits it in the U.S.-Mexico relationship. The outcome on de minimis is disappointing and suggests the Administration may seek to lower the U.S. de minimis level, a move the U.S. private sector opposes.

The Chamber hopes that at least some of our concerns can be addressed before the agreement is signed. In some cases, the drafting of USMCA implementing legislation represents

an opportunity to address these concerns. Further, Chamber members believe strongly that the USMCA outcomes on investment protection, government procurement, *de minimis*, and Canada's cultural exemption must not be viewed as precedents for future trade agreements.

Finally, the Section 232 tariffs imposed on imports of steel and aluminum from Canada and Mexico—and those countries' retaliation against more than \$15 billion of U.S. exports—must be lifted immediately and must not be replaced by quotas. Administration officials had stated publicly that these tariffs would be lifted upon conclusion of negotiations with Canada and Mexico: It is time to keep this pledge.

The USITC is now charged with preparing an assessment of the “impact the agreement will have on the gross domestic product, exports and imports, aggregate employment and employment opportunities, the production, employment, and competitive position of industries likely to be significantly affected by the agreement, and the interests of U.S. consumers.”

This is a tall order. In many regards, the USMCA is unlikely to differ substantially from the NAFTA, and most trade in goods and services will be unaffected, assuming a seamless transition to the new agreement. However, questions remain with regard to the auto and auto parts sector, which as noted is assessing the new rules of origin. Chamber members from this sector are not yet able to forecast how the new rules of origin will affect exports, imports, prices, employment, or growth.

Most of the differences between USMCA and the NAFTA relate to rules chapters, which do not lend themselves easily to economic modeling. Changes in such areas as investment protection or government procurement, or the introduction of a “sunset clause,” have the potential to inject new uncertainty into the North American market and may suppress investment and job creation. They warrant careful examination and monitoring over the long term.

On behalf of our member companies—businesses of every size, sector, and state—we welcome the opportunity to continue to provide input and counsel on these issues.

Contact: John Murphy
Senior Vice President for International Policy
U.S. Chamber of Commerce
jmurphy@uschamber.com
(202) 659-6000