



October 26, 2020

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

RE: Investigation No. TPA-105-008
Economic Impact of Trade Agreements Implemented Under Trade Authorities Procedures, 2021
Update

Dear Ms. Barton:

The Border Trade Alliance appreciates the opportunity to comment on Investigation No. TPA-105-008, Economic Impact of Trade Agreements Implemented Under Trade Authorities Procedures, 2021 Update.

Our organization, which for more than 30 years has represented public and private sector stakeholders along the U.S.-Canada and U.S.-Mexico borders, has great interest in the trade agreements that govern North American cross-border trade.

Due to the focus of the BTA's work, our comments here will be limited to our views on the United States-Canada-Mexico Agreement (USMCA) and the North American Free Trade Agreement (NAFTA).

USMCA is meeting the need for modernization of NAFTA

In June 2017, the BTA submitted comments to the United States Trade Representative stating 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. It is a position we maintain today as we applaud the administration, Congress and their counterparts in Mexico and Canada for agreeing to and implementing the USMCA.

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.

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The administration and Congress embraced the concept of modernization and rejected 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 the new USMCA.

Issue areas for further consideration

The BTA supports the USMCA as adopted, 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. businesses 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. Of note, 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. businesses 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 since USMCA's adoption they have been calling for 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 can have, whether by government regulation or external forces like weather or labor disputes.

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For example, avocado prices in this country have occasionally 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 trilateral free trade agreement and are an affront to consumer preference.

In addition, the USTR's 2020 plan on seasonal produce, unfortunately, specifically targets fresh blueberries, strawberries and bell peppers from Mexico. Taking action on seasonal produce from Mexico would encourage agriculture interests there to seek reciprocal actions against U.S. agriculture exports. Agriculture trade has been a bright spot in NAFTA and now USMCA. Care must be taken to preserve the mutual benefits of the trade agreement.

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 current administration and future ones 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.

We do not support, however, the administration's willingness to impose Sec. 232 tariffs on imports of Canadian aluminum (now since removed)– and the resulting retaliatory tariffs to which U.S. exports are exposed. We believe the disordered approach to tariffs toward our closest allies has done more to harm domestic manufacturing and relations with our neighboring trade partners than it has done to remedy any specific trade behavior.

An agreement worthy of the North American trade bloc

The BTA applauds 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 comments. We welcome the opportunity to continue to serve as a resource to the ITC and the rest of the administration as the conversation over existing and future free trade accords proceeds.

Sincerely,

A handwritten signature in cursive script that reads "Britton Mullen". The signature is written in black ink and is positioned to the right of the typed name and title.

Britton Mullen
President