

**Testimony of the National Association of Manufacturers  
on Negotiating Objectives Regarding Modernization of the  
North American Free Trade Agreement with Canada and Mexico**

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The National Association of Manufacturers – the NAM – is the oldest and largest manufacturing association in the U.S., representing more than 14,000 manufacturers small and large in every industrial sector in all 50 states.

The NAM shares the administration’s overall goals for the NAFTA modernization to “support higher paying jobs in the United States and to grow the U.S. economy by improving U.S. opportunities.” The NAM also agrees that a modernized NAFTA must be consistent with the substantive Trade Promotion Authority (TPA) negotiating outcomes detailed in section 102 of the 2015 law.

For manufacturers throughout the United States, the North American commercial market is the most important market in the world. Canada and Mexico alone purchased one-third of all U.S. manufactured goods exports in 2016, more than the next ten U.S. trading partners combined.

The deep North American commercial relationship has grown with partnerships between businesses in all three countries that have enabled U.S. manufacturing to be more competitive globally than if those partnerships did not exist. U.S. manufacturing output has nearly doubled since 1993 and U.S. manufactured goods exports to Canada and Mexico alone support the jobs of more than two million men and women at more than 43,000 manufacturing firms across the nation.

Major manufacturing sectors have grown production strongly during this period – from chemicals and energy to automobiles and machinery.

Most U.S. manufacturing sectors (36 out of 42) count Canada or Mexico as their top foreign purchasers, and Canada or Mexico are also the first or second largest export market for manufacturers in 46 U.S. states.

Yet, while U.S. negotiators sought to level the playing field fully in the original negotiation, barriers and weaker standards remain in both countries. As well, manufacturing in the United States has been transforming over the last several decades and NAFTA was negotiated before major technological and energy innovations helped change what and how we manufacture.

The NAM’s written testimony identifies ten major sets of recommendations to create a stronger NAFTA to grow American production, exports and jobs by eliminating barriers and red tape, raising standards and ensuring strong enforcement.

- While the original NAFTA went very far in eliminating tariffs and non-discriminatory treatment, a modernized agreement can certainly do better for remanufactured goods, food and dairy products and other items.
- Also important is the need to reduce unnecessary regulatory barriers, red tape and paperwork through updated customs, technical barriers to trade, sanitary

and phytosanitary and other provisions that reduce costs and duplicative processes, while helping to ensure that products not only cross the border, they make it onto foreign shelves.

- In a highly competitive global economy where all countries do not play fair, manufacturers in the United States seek greater work by all three governments to collaborate and take action to stop trade cheating from third countries.
- And most agree that NAFTA needs to be updated to include strong rules to ensure fair competition, including with state-owned enterprises, and new digital trade provisions important to small manufacturers and those creating and relying on new technologies.

Also vital to America's manufacturing success is ensuring the protection of private property and investment, including intellectual property.

- In the United States, the protection of private property is enshrined for all in the U.S. constitution and laws – such as compensation for government seizure of property, due process, equal protection, and the sanctity of contracts, not to mention the strong protections for all forms of intellectual property from patents and trademarks to trade secrets and copyrights. Those core protections have made U.S. manufacturing the most innovative and productive sector in the world.
- Without comparable protections overseas, manufacturers face mistreatment, property theft and other unfair actions that undermine U.S. products and jobs. Congress has repeatedly recognized the importance of these provisions in TPA and explicitly rejected by wide margins misguided calls to eliminate the important investor-state enforcement mechanism – ISDS – that is a vital backstop. ISDS panels have no ability to require any change in U.S. law or regulation. And few cases have ever been filed – only 18 cases vs. the United States in over two decades, all won by the United States – compared to thousands of similar property cases filed every year in U.S. federal courts.
- Modernizing both the investment and intellectual property protections is important to manufacturers across many sectors that recognize the value of U.S. investment overseas in spurring foreign sales and exports, while supporting R&D, capital investment and higher paying jobs in the United States.

At the same time, it is vital to ensure that any renegotiation does not set back U.S. manufacturing or manufacturing jobs. Changes to NAFTA that would increase red tape and complexity, substitute government decision-making for the free market or raise taxes, tariffs, merchandise processing fees or other cost barriers will undermine, rather than incentivize, manufacturing in the United States and North America more broadly.

Similarly, manufacturers across a wide range of sectors from energy and water, to information and communications technologies, medical devices, and pharmaceuticals depend on and benefit substantially from Canada's and Mexico's opening of billions of dollars in procurement to only those foreign suppliers that benefit from a reciprocal procurement agreement as contained in the NAFTA. Ensuring the continuation of this reciprocity is important to continue to grow U.S. exports and sales.

In short, to meet the goals of expanding U.S. global competitiveness and growing manufacturing and good-paying U.S. manufacturing jobs, the NAM urges the administration to prioritize efforts to:

- Eliminate remaining distortions and barriers in Canada and Mexico;
- Raise standards to U.S. levels;
- Remove unnecessary red tape; and
- Maintain and improve neutral dispute settlement provisions.