Fast Facts on NAFTA

- **Millions of Jobs:** Trade with Canada and Mexico supports millions of American jobs (with estimates ranging from 11 million to 14 million), and nearly 5 million of these jobs are supported by the increase in trade generated by NAFTA. In fact, 39 U.S. states count Canada or Mexico as their top trading partner, and every state but one counts Canada or Mexico as a top three trading partner.

- **Benefits in Every State:** The expansion of trade unleashed by NAFTA supports tens of thousands of jobs in every state—and more than 100,000 jobs in each of 35 states.

- **Trade Has Nearly Quadrupled:** Since NAFTA entered into force in 1994, trade with Canada and Mexico has nearly quadrupled to $1.2 trillion, and the two countries buy more than one-third of U.S. merchandise exports.

- **America's Largest Growth Markets By Far:** U.S. exports to the two countries—which represent the two largest U.S. export markets by a wide margin—expanded far more in the 2009-2017 period than U.S. exports to any other country in the world (by $123 billion to Mexico and $92 billion to Canada).

- **Trade Surpluses for Manufactures, Services, and Farm Goods:** The United States ran a cumulative trade *surplus* in manufactured goods with Canada and Mexico of nearly $60 billion over the past eight years (2009-2017). The United States last year recorded a trade surplus with its NAFTA partners of $11.9 billion when manufactured goods and services are combined.

- **Critical Revenue for U.S. Manufacturers:** NAFTA has been a boon to the competitiveness of U.S. manufacturers, which added more than 800,000 jobs in the four years after NAFTA entered into force. Canadians and Mexicans purchased $445 billion of U.S. manufactured goods in 2016, generating $37,000 in export revenue for every American factory worker.

- **A Bonanza for Farmers and Ranchers:** NAFTA has been a boon for U.S. farmers and ranchers, helping U.S. agricultural exports to Canada and Mexico to quadruple from $8.9 billion in 1993 to $38 billion in 2015.

- **Service Providers Tap New Growth:** With new market access and clearer rules afforded by NAFTA, U.S. services exports to Canada and Mexico have tripled, rising from $27 billion in 1993 to $88 billion in 2015.

- **U.S. Small Businesses Benefit As Well:** Canada and Mexico are the top two export destinations for U.S. small and medium-size enterprises, more than 125,000 of which sell their goods and services in Canada and Mexico.

Specific Objectives for the Modernization Talks from the Business Community

Negotiated more than 20 years ago, the NAFTA can certainly be improved. There is broad agreement in the U.S. business community that the modernization negotiations should focus on issues such as the following:

- *Digital Commerce*: Create rules for firms in all sectors of the economy guaranteeing the freedom to move data across borders and prohibiting the forced localization of data.

- *Intellectual Property*: Secure stronger protections for patents, copyrights and related rights, trademarks, designs, and trade secrets as well as strong enforcement tools.

- *Agriculture*: Seek to eliminate remaining tariff and non-tariff barriers facing U.S. agricultural exports and advance modern, science-based sanitary and phytosanitary standards.

- *Customs:* Establish high-standard rules for customs procedures with regard to advanced rulings, simplified entry, risk management, single window, e-signatures, self-certification of origin, and commercially meaningful *de minimis* levels.

- *Express Delivery Services:* Adopt modern rules addressing pre-arrival clearance, single electronic submission, minimum documentation requirements, expedited release requirements, and a separate process for express shipments.

- *State-Owned Enterprises:* Establish rules to ensure governments and their state-owned enterprises do not distort competition in the marketplace by guaranteeing regulatory impartiality and requiring that SOE decisions be commercially motivated.

- *Competition Policy:* Ensure that antitrust investigations are fair, transparent, and based on sound economic analysis.

- *Regulatory and Technical Barriers to Trade*: Enshrine good regulatory practices in the agreement by endorsing a science- and risk-based approach to regulation as well as transparency, stakeholder consultation, and impact assessments.

- *Investment*: Expand market access for investors and protect investments by maintaining access to investor-state dispute settlement.

- *Procurement*: Maintain NAFTA's guarantee of reciprocal access to procurement markets, which has allowed U.S. firms to win hundreds of millions of dollars' worth of contracts in Canada and Mexico, supporting thousands of U.S. jobs.

- *Rules of Origin*: Oppose increases in NAFTA's already stringent rules of origin, which could backfire by reducing North American content as firms opt to simply pay WTO tariffs, but consider steps to reduce the administrative burden of these rules.

Areas of Concern: USTR's Unorthodox Proposals

Enforcement: When it comes to trade agreements, Congress, the business community, and most Americans like them "strong and enforceable." However, USTR is proposing to make compliance with dispute settlement rulings purely voluntary. This could very well lead to a situation where governments are free to ignore their commitments with impunity.

Sunset Clause: USTR has proposed a five-year sunset clause for NAFTA 2.0 under which the agreement would automatically expire unless all three parties agree it should continue. This will create uncertainty and undermine the business confidence needed to foster investment in job-creating enterprises.

Auto Rules of Origin (ROOs): The U.S. auto industry is extraordinarily united in its opposition to the Administration's proposal to hike NAFTA's rules of origin for autos, which are already the highest in any FTA in the world, and add a domestic content rule. By raising costs for U.S. manufacturing, it would likely drive production and jobs offshore. It has no supporters in industry because it has no identifiable beneficiaries in the United States. Despite recent reports suggesting progress here, our corporate sources close to these talks believe the emerging deal here would be very costly or even unworkable for them.

Investor Protections: USTR has proposed to weaken NAFTA's investor protections — which echo the U.S. Constitution's protections against arbitrary government actions and taking of property without compensation — by eliminating the international arbitration procedures that enforce these protections (known as Investor-State Dispute Settlement). Gutting these basic rule-of-law protections — when the United States has never lost a case — would also undermine congressional support for NAFTA 2.0.

Government Procurement: USTR is proposing to cut back dramatically the reach of the government procurement rules in NAFTA, a proposal that promises no benefit, considerable harm, and has no identifiable U.S. beneficiaries. In reality, it is exceedingly rare for Canadian and Mexican firms to even bid on U.S. procurements — let alone win them — while U.S. businesses do very well in procurements in those two countries.

Individual blog posts on these issues are available at:
https://www.uschamber.com/series/modernizing-nafta

See Also:

https://www.uschamber.com/nafta-works

https://www.naeconomicalliance.com/