

October 25, 2018

The Honorable Robert E. Lighthizer

United States Trade Representative

Executive Office of the President

Washington, D.C. 20508

Dear Ambassador Lighthizer:

I am pleased to transmit an addendum on the U.S.-Mexico-Canada Agreement (USMCA) to the report submitted on September 27, 2018, in accordance with section 105(b)(4) of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, and section 135(e) of the Trade Act of 1974, as amended, by the U.S. Advisory Committee for Trade Policy and Negotiations (ACTPN), reflecting consensus, and majority and additional advisory views on the U.S.-Mexico Agreement.

In our September 27 Report, the ACTPN praised the Administration for its work to modernize the North American Free Trade Agreement (NAFTA) with significantly improved terms negotiated with Mexico that would benefit American farmers, businesses and workers, and urged the completion of discussions with Canada to be sure the North American trade block would continue for economic and national security reasons.

On September 30, the President announced the conclusion of successful negotiations with Canada. The ACTPN commends the Administration for achieving an agreement with Mexico and Canada that removes unfair trade restrictions and sets forth high standards for the trading relationship between our closest neighbors, which should form a model for discussion with other countries. We unanimously believe the final USMCA promotes the negotiating objectives set forth in the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 and its terms are far better than the existing NAFTA for all three parties. The trilateral agreement is paramount to ensuring integrity of many North American supply chains, providing for continued market access for U.S. companies and farmers in Canada, and eliminating uncertainty surrounding the USMCA update process.

The ACTPN unanimously supports the USMCA as an agreement that will remove unfair trade restrictions, contains high standards and introduces new chapters that reflect the new realities of 21st century trade. We believe the terms of the agreement enhance transparency and enforcement, particularly with respect to the labor and environmental standards. We encourage Congress to move expeditiously to enact the USMCA as quickly as possible.

We have additional comments to supplement our September 27 Report on a few key issues.

Chapter 3. Agriculture

The negotiations with Canada have preserved the mostly tariff-free trade in food and agricultural products and improved access for certain U.S. agricultural exports. There will be increased quota

access for U.S. dairy products (fluid milk, cream, butter, skim milk powder, cheese and other dairy products) and for chicken, eggs and turkey.

Canada also has agreed to end its Class 7 pricing scheme within six months of the implementation of the USMCA. A substitute pricing formula for skim milk solids used to produce nonfat dry milk (nfdm), milk protein concentrate and infant formula will set prices no lower than a level based on the U.S. price for nfdm. Limits on Canadian exports of skim milk powder and milk protein concentrate also were achieved.

Additionally, we are pleased Canada agreed to treat wheat imports in the same manner as domestic wheat for grading and pricing.

Chapter 6. Textiles and Apparel

The ACTPN recognizes that the Canada provisions include healthy increases for apparel made in the U.S. and shipped to Canada under the bilateral U.S. Canada Tariff Preference Level (TPL) provisions. Given that this TPL was regularly filling, the *status quo* has been actively acting as a disincentive for “Made in USA” apparel for one of its top markets. The change should go a considerable way to alleviating that constraint.

Chapter 7. Customs and Trade Facilitation

Members also are pleased to see the increase in the *de minimis* thresholds under which companies can ship goods tax- and duty-free into Canada. They would have liked these to be higher and welcome continued efforts by the Administration to achieve higher thresholds. We urge the Administration not to contemplate lowering its own *de minimis* threshold. The U.S. *de minimis* threshold is a benchmark that we should encourage others to attain, especially in the e-commerce and trade facilitation areas. Unilaterally lowering the U.S. *de minimis* threshold would only hurt U.S. interests – companies and their workers engaged in ecommerce as well as their consumers – without achieving any gain for the U.S.

Again, we commend the President and his strong negotiating team for achieving a high standards and innovative model agreement that contains provisions that should lead to better enforcement and implementation in many areas, including labor, which had fallen short of U.S. goals. The ACTPN appreciates the consultations during the negotiation process and looks forward to further engagement on the several key trade agreements in the pipeline.

Sincerely,



Harold W. McGraw III

Chair, U.S. Advisory Committee for Trade Policy

And Negotiations