

**THE UNITED STATES-MEXICO-CANADA
AGREEMENT**

HEARING

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

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JULY 30, 2019
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CONTENTS

OPENING STATEMENTS

	Page
Grassley, Hon. Chuck, a U.S. Senator from Iowa, chairman, Committee on Finance	1
Wyden, Hon. Ron, a U.S. Senator from Oregon	3

WITNESSES

Barnett, Paula, owner, designer, maker, Paula Elaine Barnett Jewelry, Brownsville, OR	6
Blunt, Hon. Matt, president, American Automotive Policy Council, Washington, DC	8
Collins, James C., Jr., chief executive officer, Corteva Agriscience, Wilmington, DE	10
Leathers, Derek, president and chief executive officer, Werner Enterprises, Inc., Omaha, NE	11
Vilsack, Hon. Thomas J., president and chief executive officer, U.S. Dairy Export Council, Arlington, VA	13
Wessel, Michael, Staff Chair, Labor Advisory Committee for Trade Negotiations and Trade Policy; and president, The Wessel Group, Washington, DC	14

ALPHABETICAL LISTING AND APPENDIX MATERIAL

Barnett, Paula:	
Testimony	6
Prepared statement	45
Responses to questions from committee members	46
Blunt, Hon. Matt:	
Testimony	8
Prepared statement	48
Responses to questions from committee members	49
Brown, Hon. Sherrod:	
Letters to Richard J. Kramer, president and CEO, Goodyear Tire and Rubber Company	52
Collins, James C., Jr.:	
Testimony	10
Prepared statement	55
Responses to questions from committee members	58
Grassley, Hon. Chuck:	
Opening statement	1
Prepared statement	61
Leathers, Derek:	
Testimony	11
Prepared statement	63
Responses to questions from committee members	71
Vilsack, Hon. Thomas J.:	
Testimony	13
Prepared statement	74
Responses to questions from committee members	80
Wessel, Michael:	
Testimony	14
Prepared statement	83
Responses to questions from committee members	92

IV

	Page
Wyden, Hon. Ron:	
Opening statement	3
Prepared statement	94

COMMUNICATIONS

Center for Fiscal Equity	97
Electronic Transactions Association	98
Florida Department of Agriculture and Consumer Services	99
National Association of State Departments of Agriculture	100
Trade Works for America	102

THE UNITED STATES-MEXICO-CANADA AGREEMENT

TUESDAY, JULY 30, 2019

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:15 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Chuck Grassley (chairman of the committee) presiding.

Present: Senators Crapo, Roberts, Cornyn, Thune, Portman, Toomey, Scott, Young, Wyden, Cantwell, Menendez, Carper, Cardin, Brown, Casey, Warner, Whitehouse, Hassan, and Cortez Masto.

Also present: Republican staff: Nasim Fussell, Chief International Trade Counsel; Brian Bombassaro, International Trade Counsel; Mayur Patel, International Trade Counsel; and Andrew Brandt, International Trade Policy Advisor. Democratic staff: Sally Laing, Senior International Trade Counsel; Greta Peisch, Senior International Counsel; and Jayme White, Chief Advisor for International Competitiveness and Innovation.

OPENING STATEMENT OF HON. CHUCK GRASSLEY, A U.S. SENATOR FROM IOWA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The committee will come to order.

We welcome our witnesses. We are here to have testimony from a range of industries to tell us about the importance of the United States-Mexico-Canada Agreement, which we are referring to as USMCA. We look forward to hearing from our witnesses about the significance of the agreement to America's businesses—both small and large—the workers, and the farmers that we all represent. Thank you for being here.

Mexico and Canada are our country's most important trading partners. According to the International Trade Commission, for the year 2017 more than one-third of America's merchandise exports went to Mexico and Canada. In that year, Mexico and Canada imported more than half a trillion dollars of American goods, plus more than \$91 billion of American services. For Iowa, our \$6.6 billion of exports to Mexico and Canada supported 130,000 jobs.

The foundation of our strong trading relationships with Mexico and Canada has been thus far NAFTA. The United States, Mexico, and Canada negotiated that agreement between 1990 and 1993. At the time, it was a new standard of trade agreements. It helped Mexico reform into a market economy. And it enabled American businesses, workers, farmers, and ranchers to sell our goods and

services in Mexico and Canada without tariffs and without many non-tariff barriers that for decades had burdened our ability to compete in those two countries.

Of course the U.S. economy and global trade have changed dramatically since 1993, and 25 years of experience with NAFTA have provided valuable lessons. The time for modernizing NAFTA has come, and that is what USMCA is all about. It sets a new standard for our trade agreements. For example, once enacted the agreement will be the first U.S. free trade agreement with robust chapters dedicated to digital trade, anticorruption, good regulatory practices, and small and medium-sized enterprises.

USMCA will set a new benchmark in many other areas as well, such as free transfer of data across borders, strong rules on state-owned enterprises, North American content requirements for preferential treatment, food safety and biotechnology standards, Customs and trade facilitation, intellectual property rights protection and enforcement, labor, and environment.

The USMCA labor chapter squarely addresses workers' rights in Mexico, and it already has resulted in the overhaul of Mexico's labor laws. The labor and environmental standards in the agreement are the most rigorous in any U.S. trade deal and, unlike with NAFTA, they are in the core of the agreement and are fully enforceable. USMCA also squarely addresses longstanding U.S. concerns in the Canadian market, such as Canadian policies on wheat grading, retail sales of wine, dairy supply management, and the distribution of U.S. television programming.

These are substantial improvements from NAFTA. They represent benefits and new opportunities for Iowans and for Americans across the board. According to the International Trade Commission, the agreement will increase real GDP by \$68 billion and create 176,000 new American jobs.

Now, that is not to say that every USMCA provision is perfect. Trade agreements always need to balance the preferences of different industries, regions, elected leaders, and stakeholders. Some of my Democratic colleagues in the House of Representatives have centered their attention on USMCA outcomes that they view as imperfect.

Surely nobody could consider NAFTA to be better than USMCA. And nobody—let me emphasize nobody—should dismiss the importance of a half-trillion-dollar market for U.S. agriculture products.

I came away from a meeting that I had with Speaker Pelosi that was very positive, as I heard her words and her attitude towards USMCA. People want to push and push, but I think we must be patient as she works through this, and I have confidence she wants to get to "yes."

Besides, I have also supported the ongoing work of the Speaker's members with Ambassador Lighthizer to clarify outstanding concerns and identify bipartisan solutions. I have an open mind to workable ideas and stand ready to consider possible improvements to the agreement.

For example, I support strong enforcement of all of the chapters through a system that works reliably and has credibility with our trading partners. I am also pleased that important USMCA provisions on prescription drugs will not require any changes to U.S.

law, and I would be open to proposals that would confirm that point.

At the same time, every day that passes is another day that the benefits of USMCA go unrealized. Trying to reopen the whole agreement could risk unraveling the deal altogether, which would benefit nobody. I therefore urge the House of Representatives and Ambassador Lighthizer to focus on their specific concerns and to propose solutions in short order so that we can pass USMCA. Doing so will provide much-needed certainty to American workers, businesses, farmers, ranchers, and families, and will enhance the credibility of our ambitious global trade agenda.

[The prepared statement of Chairman Grassley appears in the appendix.]

The CHAIRMAN. Senator Wyden?

**OPENING STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON**

Senator WYDEN. Thank you very much, Mr. Chairman. And I want to make clear at the outset that I look forward very much to working closely with you on all of these issues.

Colleagues, the Finance Committee meets this morning to discuss what needs to happen for NAFTA 2.0 to deliver better results for American workers, our farmers, our ranchers, and, particularly, American families from sea to shining sea.

I do want to begin my remarks by giving a big Oregon shoutout to one of our witnesses, Ms. Paula Barnett, not only because she is an Oregonian, but as an entrepreneur Ms. Barnett is a perfect example of why the original NAFTA needs a bold upgrade.

Ms. Barnett is an artisan from Brownsville, OR. I have been in that area often for town hall meetings in Linn County. The population is about 1,800 people in Brownsville. She founded a jewelry business that produces in Oregon and sells online, primarily on Etsy, to customers in the United States and around the world. She also sources some of what goes into her jewelry from abroad. Getting that kind of business off the ground would have been a lot harder just a few short decades ago when NAFTA was created.

According to Etsy, the total economic output of its sellers based in Oregon is more than \$125 million, and that is just one of the many online platforms that businesses use to grow. Oregon's many success stories also include Ruffwear, based in Bend, a producer of gear for Very Good Dogs all over the United States and in other countries.

Updating NAFTA means addressing the challenges facing these businesses that operate online. It also means confronting the other areas where older trade agreements continue to this day to fall short: fighting to protect labor rights and the interests of working families, preventing a race to the bottom when it comes to the environment, and making sure there is vigorous enforcement of our trade agreements so that other countries cannot treat those deals as empty documents that give them time and opportunities to rip off American jobs.

And I want to particularly emphasize this trade enforcement issue. My colleague, Senator Cantwell, and I come from the Pacific Northwest, which is incredibly trade-sensitive. One out of five jobs

in the State of Oregon revolves around international trade. The trade jobs pay better than the nontrade jobs in many cases, because there is a value-added component. And in my home State, one of the first things anybody asks about when the trade topic is brought up is: "Hey, Ron, what are you guys in Washington, DC doing to better enforce the trade laws that are on the books?"

They understand you need to upgrade these policies, because they want to make clear that the new day has to involve tough, enforceable trade laws that have real teeth in them.

The administration has released its NAFTA 2.0 agreement, and it is consulting with the Congress on what comes next. Just as I wrap up here pretty quickly, I want to make some points on that process.

There is important work left to be done on key issues. I mentioned enforcement because the new NAFTA carries over the weak enforcement system of the old NAFTA. It is too easy on trade cheats. It is not good enough for American workers, particularly on labor rights. Senator Brown and I have proposed some additional tools to address specific challenges in Mexico, and I hope that there will be progress on that front.

Additionally, one of the bigger challenges we confront is identifying the hundreds of thousands of sham labor contracts in Mexico that have exploited workers there and harmed workers here. Mexico must remain on track to get those contracts renegotiated on behalf of the workers' interests.

During the overhaul, the original NAFTA remains in place. Workers, farmers, ranchers, and businesses should not have to fear that economic uncertainty will cost them their livelihoods. It is a problem when the President acts out and makes impulsive threats regarding our trade relationships. American farmers, American workers have been hurt by some of these presidential impulses, and more will get hurt if the President continues to offer threats and chaos—and possibly this ends up causing the Congress to accept a bad deal on NAFTA.

Passing a trade deal that would allow this President to unilaterally change rules and in effect jerk around entire industries would be a dangerous mistake that promotes uncertainty. When I talk to businesses, more than anything they constantly come back to certainty and predictability. And you do not get trade done right with all of this uncertainty. And based on that, I have some real concerns about how the administration wants NAFTA 2.0 to be implemented.

That is what we are going to be talking about today. I know my colleagues on both sides of the aisle care deeply about trade, and I would like to close this comment where I began.

Ms. Barnett, we are so glad you are here. I think you are the face of much of what the trade challenge is all about, and we welcome you.

Thank you, Mr. Chairman.

[The prepared statement of Senator Wyden appears in the appendix.]

The CHAIRMAN. Thank you.

Ms. Barnett, how can I do better than he did in introducing you? I guess the only thing I would add from my notes is that you

single-handedly run your business selling jewelry to buyers all across the world. So you are definitely concerned about trade agreements and trade generally. So thank you for being here.

Next I would like to welcome Matt Blunt, president of the American Automotive Policy Council. Governor Blunt was the 54th Governor of Missouri, serving his State as chief executive from 2005 to 2009. He has been president of the American Automotive Policy Council since 2011. In that role, he represents the common policy interests of America's largest automotive manufacturers: Ford, General Motors, and Fiat-Chrysler. So we welcome you, Governor Blunt.

Then we have Mr. James Collins, chief executive officer for Corteva Agriscience. Mr. Collins leads the only major agriscience company completely dedicated to agriculture. His work in the industry began 35 years ago when he joined DuPont in 1984. He worked his way up the ladder. Mr. Collins became chief operating officer for the agriculture division of Dow-DuPont before becoming CEO of a recently stand-alone company Corteva Agriscience. Congratulations on your new position.

Then we welcome Derek Leathers, president and CEO, Werner Enterprises. Founded in 1956, Werner moved its headquarters from Council Bluffs, IA to Omaha, NE, which is still close across the river. Now you are still a proud Iowan, I hope. I do not agree with the move, but I will not fault you for personally making that mistake. [Laughter.]

Werner is now one of America's largest transportation and logistics companies, with a network of over 7,800 trucks and extensive experience in shipping and distributing goods in Canada and Mexico. Prior to joining Werner Enterprises, Mr. Leathers was one of the first foreign members of Mexico's Trucking Association, CANACAR, and was based out of Mexico City for several years. Thank you.

Now I have the pleasure of introducing Iowa's former Governor and former Secretary of Agriculture for the U.S. Department of Agriculture, Tom Vilsack, who is now president and chief executive officer of the U.S. Dairy Export Council. He was elected Iowa's 40th Governor in 1998. He served 8 years there, and then 8 years as Secretary of Agriculture. Now, as leader of the U.S. Dairy Export Council, he represents the trade interests of more than 100 dairy industry exporters and affiliated entity members. So thank you for coming, Mr. Secretary.

Finally, we welcome Michael Wessel, president of The Wessel Group and Staff Chair to the Labor Advisory Committee for Trade Negotiations and Trade Policy. As the Staff Chair, Mr. Wessel helps direct committee responsibility for advising and consulting the Secretary of Labor and the U.S. Trade Representative regarding policies on labor and trade negotiations. He worked as a congressional aide for over 20 years, and was also a Commissioner on the U.S. China Economic and Security Review Commission. So thank you, Mr. Wessel.

Now we will start with Ms. Barnett, and we will go that same way across the table as I introduced you.

**STATEMENT OF PAULA BARNETT, OWNER, DESIGNER, MAKER,
PAULA ELAINE BARNETT JEWELRY, BROWNSVILLE, OR**

Ms. BARNETT. Good morning. My name is Paula Barnett, and I am a jeweler living in Brownsville, OR with my 9-year-old daughter Carla. Thank you, Chairman Grassley, Ranking Member Wyden, and members of the committee, for inviting me to speak to you today about my creative business.

I am a self-taught fine jeweler. I spent 6 years studying art and architecture history. And while I loved it dearly, the career options were extremely limited. After failing to find a job in my field, I conducted market research and decided to become a jeweler. I have always been a maker, and once I had decided on this path, I dove head-first into teaching myself how to make jewelry with simple tools and equipment.

I launched my business in 2013 on Etsy, an online marketplace for hand-made and vintage goods and craft supplies. Within a couple of months, I had already earned enough to cover my initial investment in tools and supplies—a rare feat for a new entrepreneur.

Today I am a full-time goldsmith. I make custom engagement and wedding bands using recycled fine metals and ethically sourced stones. I have come a long way from making brass rings shaped like mountains to setting diamonds in solid gold. My work is 100-percent made by me with my own hands in my home studio in Oregon.

I am also a single mother, and my business allows me to be there for my daughter Carla. I am home when she gets off the school bus, sick days are a non-issue, and my flexible schedule allows me to raise my child as I see fit. I am very blessed in this regard. Carla also benefits from watching me exert myself creatively and succeed in business.

I am proud of my success, but my story is not unique. Globally, Etsy hosts over 2.2 million creative entrepreneurs like me, and fully 87 percent of those sellers are women. Nearly all of them are businesses of one working out of their homes.

We are micro-businesses, yet we have a significant impact on our communities and the broader economy. In 2018 alone, U.S. Etsy sellers contributed \$5.37 billion to the U.S. economy and created over 1.52 million jobs. Our impact is especially big in rural communities like mine. For example, 27 percent of Etsy sellers live in rural communities, compared to just 17 percent of business owners nationwide. Individually, we may be small, but together we are supporting our families and revitalizing communities across the Nation.

Perhaps it is surprising to find a business as small as mine testifying before Congress about a multilateral trade agreement, but I am an exporter in my right. About 20 percent of my sales are international.

Like many Etsy sellers, I made my goods available to international buyers from the moment I opened my online shop. Today, 52 percent of all Etsy sellers export their goods. Unfortunately, the U.S. is the only one of Etsy's core markets where the majority of Etsy sellers do not ship their goods to other countries. For example, 90 percent of Canadian Etsy sellers ship internationally.

Trade agreements like the USMCA have huge potential to help U.S. micro-exporters like me grow our international businesses. In particular, de minimis Customs thresholds, digital trade provisions, and educational resources targeted to small businesses could all help me increase my exports. [Pauses.]

Senator WYDEN. You are doing great, Ms. Barnett.

Ms. BARNETT. Thanks. First, my business depends on my packages being delivered quickly and with minimal hassle to my overseas customers. Unfortunately, many of my customers must pay extra taxes and fees on the pieces I export, often unexpectedly. I have had many packages get stuck in Customs and, to the dismay of my customers, they must travel in person to pay the required fees before collecting their item.

In some cases, the cost can nearly double the price of the item. This is a hindrance to sharing my work with the world. A few customers have even refused packages due to extra taxes and duties. In those cases, I find myself having to refund the item including the shipping costs, or risk incurring a negative review which can make or break an e-commerce business like mine.

De minimis Customs exemptions are the single greatest tool policymakers can use to help small and micro-businesses export their goods. They enable my packages to move quickly across the border, which is especially important as customers expect faster shipping times. With plenty of customers in Canada and Mexico, I am encouraged to see that the USMCA would increase de minimis thresholds for both of these trading partners.

The U.S. de minimis threshold is also important to my business. In addition to exporting my goods, I also import many of my supplies. For example, I import my opals from a supplier in Mexico. Some of these stones are of a high value but do not reach the \$800 U.S. de minimis threshold that Congress established in 2015. I also occasionally process returns, and am relieved that I do not need to pay additional fees on these shipments. Given the importance of de minimis Customs thresholds to my business, I am hopeful that Congress will ensure the final agreement establishes certainty, not uncertainty, around this important issue.

Second, digital trade provisions allow me to use the Internet and online platforms like Etsy to reach buyers around the world.

Thank you, Senator Wyden, for your early and ongoing leadership in this area. I cannot overemphasize how important the Internet is to my business and my family. My entire business is online. Without the Internet, I and countless others like me would be without work. A job is one thing, but doing something you are passionate about is something else entirely. And that is what my jewelry business is to me.

I am thankful that I can focus on growing my creative business and do not need to think about the digital infrastructure that underpins the global e-commerce, whether it be data processing and transfer, electronic payments across multiple currencies, or the intermediary liability protections that enable Etsy to operate an open, uncurated marketplace.

I am honored to share my story with all of you today. My plans for the future include growing my wholesale accounts, expanding the complexity and craftsmanship of my work, opening a retail stu-

dio space where I can meet with clients, and continuing to make jewelry alongside my daughter, who is my biggest fan.

As an Internet-based entrepreneur, I am hopeful the U.S. can set the standard for sensible e-commerce policy through agreements like the USMCA, and that these provisions can and ultimately will be enforced to ensure the Internet continues to act as a launching pad for millions of micro-business exporters like me.

Thank you so much for your time and the opportunity to speak before you today.

[The prepared statement of Ms. Barnett appears in the appendix.]

The CHAIRMAN. We will recognize Senator Wyden.

Senator WYDEN. And I will be very brief, Mr. Chairman. And of course we so appreciate the input from Ms. Barnett.

I also want to note, and I think colleagues know that Senator Thune, who is not here right now, has also been a leader in this bipartisan effort to promote additional opportunities for digital trade, and I just wanted to thank you, Ms. Barnett, and note that there has been bipartisan support across the aisle on that.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Ms. Barnett.

Now, Governor Blunt.

**STATEMENT OF HON. MATT BLUNT, PRESIDENT, AMERICAN
AUTOMOTIVE POLICY COUNCIL, WASHINGTON, DC**

Mr. BLUNT. Thank you, Chairman Grassley, Ranking Member Wyden, and members of the committee. I thank you for this opportunity to testify today on USMCA, a truly 21st-century trade agreement with our Canadian and Mexican trading partners.

My name is Matt Blunt, and I am the president of AAPC, the American Automotive Policy Council, which represents the common public policy interests of our U.S. automakers: FCA U.S., Ford Motor Company, and General Motors. Our emphasis is on international trade and the economic policy interests of our member companies.

America's automakers are confident that, once approved by Congress, USMCA will not only help bring much-needed predictability and help maintain the competitiveness of the U.S. auto industry, it will also serve as a blueprint for future U.S. trade agreements. It will allow our automakers to thrive in an increasingly competitive global auto market.

When negotiations with Canada and Mexico began, AAPC and its member companies had four priorities. First, maintain duty-free access to the Canadian and Mexican auto markets—two of the largest vehicle markets in the world. Second, include provisions to address currency manipulation by our trading partners. Third, ensure continued acceptance of U.S. auto safety standards in the region. And finally, include balanced and workable rules of origin for vehicles and parts in North America.

We firmly believe the negotiators achieved all of these priorities.

First, USMCA will preserve critical duty-free access to two of the largest vehicle markets in the world, markets where our companies have been incredibly successful. In Canada, our brands now account for 40 percent of the 2 million vehicles sold. And in Mexico,

American nameplates have secured 27 percent of the 1.4-million vehicle market, a market that is expected to grow steadily in the future.

We also commend negotiators for creating stronger but workable rules of origin for vehicles and parts in the region. The new rules raise NAFTA's current minimum content levels, which are already the highest of any trade agreement in the world, from 62.5 percent to 75 percent. The new rules will require all automakers to make changes to their sourcing strategies, but we believe these changes are feasible and will benefit the U.S. auto industry and the millions of jobs it directly and indirectly supports here at home.

In fact, our three member companies have already announced \$6 billion in new U.S. investments, which were driven in part by the new USMCA rule-of-origin requirements. We agree with the administration that these new rules of origin will strongly incentivize more investment in the United States. And more U.S. investments mean more American jobs.

Ambassador Lighthizer and his team also successfully crafted and negotiated two ground-breaking provisions that will lock in the acceptance of vehicles built to U.S. safety standards, as well as provisions to prevent currency manipulation. These are the strongest such provisions ever included in a U.S. free trade agreement. And like the administration, we believe these provisions should be included in every future U.S. free trade agreement.

In short, American automakers have given our full support to USMCA because it will not only help the U.S. auto industry remain globally competitive, but it brings certainty and stability, which in turn will encourage automakers—foreign and domestic—to invest and expand here in the United States.

The President's decision last month to lift the tariffs on steel and aluminum from Mexico and Canada was a crucial development for our automakers as well as many lawmakers on both sides of the aisle. We also understand that conversations between Ambassador Lighthizer and members of the House working group on USMCA have been constructive.

Given this momentum, we hope members of this committee—joined by your colleagues in the House and Senate—can work to help resolve any remaining issues so that Congress can approve USMCA and allow its full potential for U.S. automakers and our Nation's economy as a whole to be realized.

Again, I want to thank you for holding this important hearing and for the opportunity to testify. And I look forward to answering your questions.

[The prepared statement of Mr. Blunt appears in the appendix.]

The CHAIRMAN. Thank you, Governor Blunt. Now 1 minute for personal privilege from the Senator from Delaware.

Senator CARPER. Thanks so much, Mr. Chairman.

Before Jim Collins speaks, I just want to personally welcome him, a native of Delaware. He grew up in Delaware. His wife lived in a place called Kennett Square, which is my favorite part of Delaware. It is actually just across the line in Pennsylvania. [Laughter.]

But Jim, in addition, has been a terrific leader at DuPont for many years in the agricultural business and now heads up Corteva, which grew out of the DuPont-Dow merger, now split into three

companies, one of which is Corteva, headquartered in Wilmington at the Experimental Station. We are delighted to see that happen.

In addition to being a wonderful business leader, he is also a great community leader and an Eagle Scout, and he serves on a lot of boards in our State, including the University of Delaware and the Hagley Museum and Library in Delaware, and he has been a scout leader for many years of his life. He and his wife Tina have raised 12 children—well, it seems like 12 children—but all are kids that we would, they are now adults, but they are children we would be proud of.

Welcome today, and thanks for your testimony. Thanks, Mr. Chairman.

The CHAIRMAN. Mr. Collins, proceed.

STATEMENT OF JAMES C. COLLINS, JR., CHIEF EXECUTIVE OFFICER, CORTEVA AGRISCIENCE, WILMINGTON, DE

Mr. COLLINS. Thank you. Thank you, Chairman Grassley, Ranking Member Wyden, and Senator Carper. I appreciate that introduction. Two proud young boys—only two. And thank you, members of the Finance Committee, for the opportunity to be here today to testify.

As you have heard, my name is Jim Collins, and I am the CEO of Corteva Agriscience. And as the Senator stated, this is a new ag company that was spun off from the Dow-DuPont merger. It is a company with more than 300 years of combined ag experience, and I am honored to share the views of our more than 20,000 Corteva employees with the over 400,000 U.S. customers—American farmers and ranchers.

So I am here to address the critical need to pass the United States-Mexico-Canada Agreement. USMCA features elements critical to American agriculture: things like market access, protection of innovation, and modernized regulatory mechanisms to ensure our future competitiveness. Millions of American jobs depend on trade with Canada and Mexico, by far the largest export markets for the United States. International trade supports 39 million jobs across America, with 12 million of those jobs from trade with Mexico and Canada.

The U.S. International Trade Commission analysis indicates that USMCA would increase U.S. ag and food exports by up to \$2 billion. Now, farmers have flourished under the enhanced access to Canadian and Mexican markets. NAFTA boosted U.S. ag exports to North America by over 350 percent over the life of that agreement. Canada and Mexico buy nearly \$45 billion of ag products annually from the United States, making them our first and second largest ag export markets.

Now, in all of our conversations with farmers, they have stressed that trade is one of their key elements of success. So let me tell you about two first-generation Minnesota farmers, Andrew and Heidi Pulk. The Pulks saw an opportunity to begin farming with the demand that was coming from exports to China. However, because of the recent trade challenges between the U.S. and China, these young farmers were forced to search for new markets. The North American market was crucial to the Pulks, who last year sold their entire crop to buyers in Canada.

Passing the USMCA will ensure that new farmers like the Pulks can continue to survive.

So let's turn to the ag sector. As Chairman Grassley stated so well in June's hearing, and I quote, "We need to secure strong agreements so that we can restore a level playing field." With a level playing field, Corteva can innovate and help U.S. agriculture become even stronger. At 12 percent, the food and ag industry is responsible for the largest segment of U.S. manufacturing jobs.

So it is clear, when farmers win, our Nation prospers and we all win. The United States is the largest market for seed in the world, and it is also the largest seed exporter. Mexico and Canada, the U.S.'s two largest seed export markets, represent \$600 million in annual seed exports. That is one-third of the total.

Seed varieties can cross as many as six international borders before that bag of seed becomes commercialized and sold to a farmer. USMCA offers the world-class regulatory and phytosanitary disciplines that prevent rejected or delayed seed shipments that can cause market disruptions and dissatisfied customers, and we can count that in the millions of dollars.

Corteva's seed and crop protection products represent decades of research and development. Thus, the intellectual property rights protection is also crucial. We are particularly excited about the biotech protections also afforded us under USMCA.

Now lastly, agriculture's future is dependent upon passage of USMCA. Corteva, as the only U.S.-based seed crop protection and digital ag company, has a substantial presence in Iowa, in Indiana, and in Delaware, with offices, sites, and employees all across the country. But we are a global company as well, and about half of our sales are outside of the United States.

So we need trade agreements to solve problems before they become disputes. Through NAFTA, North America became more economically integrated, and our governments established broad, deep relationships among our officials. And these frank discussions between officials were worth their weight in gold, and the USMCA will build upon that foundation.

So we must not only pass USMCA to protect the North American market, but we need to replicate this exercise going forward in our other pending global trade negotiations. The studies are clear. The International Trade Commission, USTR, and private industry have found that USMCA creates jobs and expands markets for family farmers like the Pulks and agribusiness companies like Corteva.

Thank you again, Mr. Chairman, for the opportunity to address the committee and to discuss the importance of swiftly passing USMCA. I will be pleased to answer any of your questions later.

[The prepared statement of Mr. Collins appears in the appendix.]

The CHAIRMAN. Thank you, Mr. Collins. Now, Mr. Leathers.

STATEMENT OF DEREK LEATHERS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, WERNER ENTERPRISES, INC., OMAHA, NE

Mr. LEATHERS. Chairman Grassley, Ranking Member Wyden, and members of the committee, thank you for the opportunity to testify today on behalf of the American Trucking Associations, and to discuss the importance of USMCA.

My name is Derek Leathers, and I am the president and CEO of Werner Enterprises. Werner has grown from a one-truck operation in 1956 to a global logistics company employing 13,000 associates and professional drivers worldwide.

In the United States, Werner has 8,000 trucks operated by professional drivers safely moving America forward every day. Werner continues to grow our business at home and internationally. Our significant growth in Mexico is due to the initial success of North American trade. And Werner is one of the top five U.S. truckload carriers operating in Canada, with 8,600 cross-border movements in 2018.

As we at Werner celebrate our 20-year anniversary in Mexico, we are the largest U.S. truckload carrier providing ground transportation services to and from Mexico. Last year we crossed 154,000 shipments.

Mr. Chairman, you would be interested to know that Werner hauls protein—beef, pork, and poultry—from several locations across Iowa to Mexico on a daily basis. And, Ranking Member Wyden, Werner's largest cross-border customer in terms of volume and revenue is based in Oregon.

I have spent over 25 years in trucking, which included starting Werner's Mexico business while living in Mexico City. I saw firsthand how NAFTA has transformed North America into the most competitive trading block in the world.

Nearly 76 percent of all cross-border freight tonnage is transported by truck. When trucks are not the primary mode of transportation, the other modes still depend on trucks for final delivery. Every day there are 33,000 truck entries across our northern and southern borders, hauling more than \$2 billion of goods. To put this in perspective, 12.2 million truck crossings moved approximately \$772 billion of goods across our Canadian and Mexican borders last year alone.

Beyond the numbers, the best way to truly grasp the scope of cross-border trucking is to see it firsthand at our ports of entry. I invite you to visit our terminal in Laredo, TX, where you would see the immense volume of truck-transported freight constantly moving across the U.S.-Mexico border, and why we have expanded that location twice in the last 3 years. Or, if so inclined, visit us in the interior of Mexico at any one of our offices in Monterrey, Guadalajara, Querétaro, or Mexico City, and we would be happy to host you. Technological advances have redefined the trade environment to such a degree that NAFTA is outdated.

The USMCA is a timely and necessary update. Twenty-five years ago, trade did not need to accommodate same-day shipping or two-day delivery that is now expected by consumers. Cross-border trade by truck has since increased 191 percent.

The North American supply chains have grown increasingly interconnected, so much so that there are countless examples of products being transported around North America crossing our northern and southern borders multiple times prior to reaching the consumer.

Congress must elevate our North American trade policies into the 21st century. The USMCA represents more than a trade agreement. The flow of commerce between our Nations has become a

major cornerstone of our economy, supporting the livelihoods of roughly 90,000 people employed in the U.S. trucking industry, including nearly 60,000 U.S. truck drivers to move freight to and from our borders.

U.S. trucking companies paid U.S.-based drivers more than \$3.25 billion in wages, plus health insurance and retirement plans, in 2018. Simply put, trade is crucial for the blue-collar workers in the trucking industry. Failing to pass USMCA would have a negative impact on truck drivers, along with the customers we serve across North America: manufacturers, farmers, retailers, and consumers.

Ratification will provide certainty and usher in a new era of increased innovation, more good-paying American jobs, and sustained economic growth. The American Trucking Associations, Werner, the Border Trade Alliance, and the broader trucking industry strongly urge Congress to act swiftly and support ratification of USMCA. And we stand ready to help drive this agreement across the finish line.

Thank you again for the opportunity to testify today, and I am happy to answer your questions.

[The prepared statement of Mr. Leathers appears in the appendix.]

The CHAIRMAN. Secretary Vilsack, thank you for coming.

STATEMENT OF HON. THOMAS J. VILSACK, PRESIDENT AND CHIEF EXECUTIVE OFFICER, U.S. DAIRY EXPORT COUNCIL, ARLINGTON, VA

Mr. VILSACK. Thank you, Mr. Chairman, Senator Wyden, and members of the committee. I want to express my appreciation for the opportunity to appear today.

This is a hearing that is important to the 110 members of the U.S. Dairy Export Council, as well as the 39,000 family farm operations that provide safe, nutritious, and sustainably approved dairy products for us here in the U.S. and around the world.

I have a simple message for the committee: exports matter to the American food and agriculture industry. Thirty percent of all agricultural production and 20 percent of all agricultural income is directly related to exports. It helps to support, with \$140 billion of activity, nearly a million good-paying jobs.

Exports to Mexico and Canada matter to the dairy industry and to farms across the United States. Twenty-eight percent of all food and agriculture exports go to Mexico and Canada, between \$40 and \$45 billion, five times what it was when NAFTA was first enacted. For many commodities, Canada and Mexico represent their top markets.

Ratification of the USMCA matters to the dairy industry and to dairy farmers, as well as to ag producers, poultry producers, wheat producers, and those involved with providing alcoholic beverages, as well as many other agricultural commodities.

As Mr. Collins indicated, the ITC has projected over \$2 billion of additional income for American agriculture and the food industry, which will help to support thousands of jobs. For dairy, there are multiple benefits, not the least of which is an increase of agricultural exports to Canada and Mexico amounting to over \$300 million annually.

It preserves our duty-free access to our number one market, Mexico. It increases market access to our Canadian market that has been limited for far too long, by increasing our trade quotas in cheese, skim milk powder, whey, butter, and other dairy products. It removes and reforms key trade-distorting Canadian pricing policies, repealing Class 6 and 7 pricing policies, and imposing more trade-friendly discipline on the Canadian supply management system.

It establishes strong sanitary and phytosanitary provisions that will protect food safety, helping to avoid unscientific barriers to exports. It improves safeguards regarding U.S. companies' right to use common food names, helping to avoid further abuse of geographical indications that could cost the U.S. dairy industry potentially billions of dollars of lost revenue.

The ratification of the USMCA matters to all of the food and agriculture industry, as it will build momentum for progress hopefully in other trade discussions, especially in Japan and possibly China.

Ratification of the USMCA impacts the food and agriculture industry, and really matters to the entire country. Why do I say that? Well, according to Dunn and Associates, the U.S. food and agriculture industry represents directly or indirectly 43 million employed Americans, which is 28 percent of our entire employment workforce, and impacts directly 20 percent of our American economy. So whatever helps the U.S. food and agriculture industry, helps the country.

Mr. Chairman, I appreciate the opportunity to be here today. I look forward to responding to the questions and assisting this committee in its important work, work that is vital to the future of American agriculture and the food industry, as well as to the country.

[The prepared statement of Mr. Vilsack appears in the appendix.]

The CHAIRMAN. Thank you, Secretary Vilsack, and I know from following publications you have been doing this for quite a few months, and we thank you for your leadership in that area.

Mr. Wessel?

STATEMENT OF MICHAEL WESSEL, STAFF CHAIR, LABOR ADVISORY COMMITTEE FOR TRADE NEGOTIATIONS AND TRADE POLICY; AND PRESIDENT, THE WESSEL GROUP, WASHINGTON, DC

Mr. WESSEL. Mr. Chairman, Ranking Member Wyden, members of the committee, it is an honor to appear before you today. My name is Michael Wessel, and I am here on behalf of organized labor as the Staff Chair of the Labor Advisory Committee for Trade Negotiations and Trade Policy.

Organized labor wants NAFTA fixed. We have worked in a constructive, good-faith effort to find solutions, not just lodge complaints. We remain optimistic about the ability to resolve the issues, but we will not hesitate to oppose an agreement that fails to improve NAFTA and the current trade template in meaningful and effective ways by adopting the many recommendations we have made.

Much work remains. The current USMCA is not good enough. The negative impact of the existing NAFTA cannot be overstated. It has had a corrosive impact on production, employment, and wages in the U.S. Manufacturing, public and service-sector workers have all been hurt. Steelworkers at Carrier in Indiana have seen their jobs go to Mexico. Bakery workers at Nabisco in Philadelphia and Chicago saw their jobs shipped to Mexico, where workers are now paid as little as 97 cents an hour.

Auto workers in Lordstown, OH are seeing their jobs relocated to Mexico. Aerospace workers throughout the country have seen tens of thousands of jobs moved to Mexico, like workers at UTC in Chula Vista, and that is just the tip of the iceberg.

It is time to reverse that trend. Our engagement, and our continued engagement, results not only from the depth of our concerns but is also a tribute to Ambassador Lighthizer and his team.

Let me make a number of quick points, but I do not want to minimize the importance of issues I do not raise. We are not moving the goalposts, but we will not accept charges that if we did not raise an issue at every conversation, that issue must not be of concern. There is a long list.

First is the critical need for improvement in the enforcement provisions, which are essentially absent from the current agreement. Panel-blocking would disable the ability to resolve critical issues and must be fixed. In addition, we support approaches such as the Brown-Wyden framework as a necessary provision in the agreement. But enforcement is only as good as the standards and laws that are subject to enforcement.

We have repeatedly made suggestions for improving the labor standards included in the labor chapter. Much work remains. While the labor annex provided a new framework for Mexico, the interpretation of some of the language is still in question, and we have not seen how Mexico will implement and monitor its new laws and provide funding. Specific text adversely limits certain critical rights and must be fixed.

Mexico's labor reforms are being challenged, including by the employer-friendly Labor Federation. At last count, there were more than 400 appeals against Mexico's labor reform.

There is no infrastructure to support on-the-ground activities to allow workers to achieve their internationally recognized workers' rights. There needs to be accelerated and front-loaded implementation, rather than waiting for the 4-year clock to toll. And we need to ensure that the process here for bringing complaints is dramatically improved.

We need to address the access to medicines issues. Virtually every labor contract here in the U.S. deals with health-care costs as a core issue, with cost increases fueled by huge prescription drug price increases. Workers, to protect their family's health, are having to forego wage increases. And fueling drug-price increases in Mexico and Canada via USMCA's provisions is not only unjust, it will have a direct impact on our ability to sell products there.

The rules-of-origins need to be strengthened and clarified, and the loophole that allows foreign steel and aluminum to be counted as domestic-originating materials must be closed.

Organized labor is committed to working to improve upon the existing agreement. Labor leaders have publicly supported the negotiations and, as it relates to the labor text, indicated that it improves upon the existing framework of laws but must be strengthened and coupled with successful and timely implementing, monitoring, and enforcement provisions. But even if we achieve all our goals, we will not oversell the final product to our members.

They have lived with the devastating impact of existing trade policies. They are rightly skeptical, and their leaders will not mislead them. We need meaningful and effective changes based on the recommendations we have made and that will meaningfully address the outsourcing that continues across industries.

We have waited for the flaws in NAFTA to be addressed, and the substance of those changes and our experience will drive our decision, not partisan politics.

We look forward to working with the committee and Congress in the coming days. Thank you.

[The prepared statement of Mr. Wessel appears in the appendix.]

The CHAIRMAN. Thank you, Mr. Wessel.

Now we will have a 5-minute round of questioning. I am going to start with Mr. Collins.

This agreement for the first time dealt specifically with biotechnology to support America's innovations in agriculture and continued cooperation with Canada and Mexico. It improves transparency and functioning of the approval process for biotech crops, and provides for cooperation and information exchange on agricultural biotechnology trade matters, including gene editing.

So as CEO of a major agriscience company completely dedicated to agriculture, how will these biotechnology provisions of the agreement benefit Corteva's ability to innovate and bring benefits to our farmers and consumers?

Mr. COLLINS. Thank you, Mr. Chairman, for the question.

You are exactly right. The USMCA creates a process for U.S., Mexican, and Canadian regulators to more aptly share information back and forth across themselves, and to better collaborate on the regulation of biotech crops, including the new breeding techniques that you mentioned.

This process has the potential to alleviate trade barriers that can sometimes result from different processes and different procedures that evolve in different countries, including the time frames that are associated with the approval of biotech products. So a more coordinated regulatory framework by which we can approach these markets in lockstep, as opposed to sequentially, is a real help. So it is a benefit for the innovation that we drive here in the U.S., but also for all farmers in North America.

And we think these provisions will provide an important precedent for future trade discussions with other partners as well.

The CHAIRMAN. Secretary Vilsack, the new agreement will expand market access for U.S. dairy products in Canada and eliminate that country's unfair milk pricing program that has allowed their dairy products to undercut American competitors in Canada and third-country markets.

Additionally, Mexico agreed not to restrict market access for U.S. cheeses labeled with certain common names. How will American

dairy farmers benefit and take advantage of the new market access as a result of USMCA?

And I guess I am also interested in whether or not it will expand market share in Canada?

Mr. VILSACK. Mr. Chairman, in 2018 America suffered a loss of seven dairy farms a day. Times were tough out in rural America. This agreement would provide an opportunity for dairy farms to stay in business. Why? Because it would expand access to a Canadian market that for far too long has been closed. It will in fact increase our market share opportunities in cheese, whey, butter and other dairy products, and skim milk powder.

In repealing Class 6 and 7, it gives us an opportunity to have a powder market, a global powder market, that actually provides an appropriate pricing. The Canadian pricing system basically undercut the world price, which created some havoc in the powder market globally, impacting negatively our producers as well as those around the world.

The implementation of this provision will be important. We will have to keep an eye on making sure that this is not a replacement that has the same effect as Class 6 and Class 7, but we are hopeful.

There are also export controls. There are potential penalties that Canadian exporters will have to pay if they export more than the limits set forth in the agreement. So this is an increase in market share. It is an increased opportunity for U.S. dairy to do business in Canada. And it also, as I said earlier, preserves our number one market, which is Mexico.

The CHAIRMAN. My last question will be for Mr. Leathers. You referenced in a *Bloomberg* piece in your testimony about how a single capacitor had crossed the border numerous times before it was finally in a final product.

It paints a clear picture that, in 25 years since NAFTA was enacted, technological advances have redefined the trade environment. Could you shed a little more light on how technology has revolutionized our trade practices in the last 25 years and why it is imperative that we modernize our North American trade agreement?

Mr. LEATHERS. Yes. Thank you for the question, Mr. Chairman. So by way of background, I was on the ground in Mexico City before NAFTA was enacted the first time, living and working and running a Mexican trucking company at that time.

And so over these 25 years, when we think about USMCA, and I think about the opportunity in front of us, it literally contemplates and for the first time addresses issues that simply did not exist back then. We did not have Internet to speak of, and there was no e-commerce. There was no digitization of our Customs processes.

The average trucking cross-border time was 24 hours, if we were lucky. And today we wake up in a world 25 years later where we are doing advanced Customs clearance of goods. We are digitally interacting with our shippers and our receivers. We are working with a unified Customs process with both Mexican and U.S. officials collaborating at the border in a more seamless and efficient crossing process.

Having USMCA enacted and ratified to help address, from our perspective, the importance of all of this digital e-commerce, digital information, and the ability for these records and their security to be better recognized and have better treatment in the agreement, is of critical importance.

The future is only going to continue to go that direction. And our business is increasingly one that is moving more digitally by the day.

The CHAIRMAN. Senator Wyden?

Senator WYDEN. Thank you, Mr. Chairman.

Ms. Barnett, I think your story is incredibly inspiring, how you, as a single mom, have been able to come up with this attractive, exciting new business where, in effect, you are able to look to global markets as a result of digital innovation.

I just have a quick question for you. U.S. de minimis rates are in American law because John Thune, Republican Senator sitting over there, and I wrote it. And this committee is not going to go along with uncertainty in U.S. law and NAFTA.

Why don't you tell us what the value of across-the-board certainty would mean for you in your business?

Ms. BARNETT. Thanks, Senator Wyden, for that question. So I export my goods, as well as import supplies, and I would like to not have to worry about my items crossing the border. I want my items to get to my customers as fast as possible, because they expect that. And some of my items are lower-priced, and some of them are quite higher-priced, and it would be valuable to me to have my customers not have to pay so much extra taxes.

And in terms of the U.S. de minimis, since I do import a lot of my stones, I would like to not have to worry about having to pay extra taxes, because it does cut into my bottom line. And since I am a sole proprietor, every dollar counts, and certainty is important. Because I just make jewelry, I do not want to also worry about uncertain provisions in laws.

Senator WYDEN. Good. And you should know that on this committee there is strong support for the kind of certainty you are talking about, and you have really laid the case out very well.

Mr. Wessel, I want to turn to you on this whole question of the labor issue and enforcement. I am not sure everybody knows, but you and I have been talking about these issues for years and years, and I so appreciate your good work.

It seems to me the administration has made progress on improving the labor obligations in the new agreement, but that is not worth much unless you have tough, real enforcement. And Senator Brown and I have been working on a new framework in this area so there would be sufficient resources and technical assistance to cooperate with Mexico on their new labor law, and also to provide a backstop to protect American workers from being disadvantaged by unscrupulous factories in Mexico.

What would it mean, Mr. Wessel—to somebody who has studied this for years—what would it mean for U.S. workers if we were able to finally get full compliance by Mexico of their labor obligations?

Mr. WESSEL. It really is the single most critical issue in the question of the balance between our two countries—the outsourcing of

jobs, the relocation of a lot of our supply chains to Mexico because of the artificially low wages in that country, primarily stimulated by low current labor standards and no enforcement.

As you know, there are roughly 700,000 protection contracts currently in place in Mexico, the vast majority of which workers have no idea exist or what their terms are. So making sure that workers are paid a decent wage in return for their hard work, their creativity, their skills, is a fundamental component of what we are looking for long-term.

Without strong enforcement, we are going to continue to have the same process and results we have today.

Senator WYDEN. Let me follow that up and, in effect, try to take this enforceability issue beyond what Senator Brown and I have been working away on for months now—and we have been working with the Speaker, and House members, and the like.

I gather you have some additional ideas for enforcing trade law, and particularly NAFTA 2.0. Do you have some additional recommendations that you would like to make?

Mr. WESSEL. Well, first let me say that enforcement, which is vital, often means that there has been injury and someone has been hurt in the labor context. So our goal is to have the infrastructure in place to make sure that workers know what their rights are and are able to freely associate and enjoy the rights that they have. And that is a fundamental component of what you and Senator Brown have talked about in terms of the infrastructure.

Clearly we need to make sure that the state-to-state dispute resolution is binding. We need to make sure that, at the front end of this process, we do not see what we saw in the Colombia situation where we had an agreement that called for certain actions, but those actions were not in fact adopted prior to certification—so a better certification process than we have had in the past.

We also need the infrastructure to provide greater access to the enforcement process. All of the labor rights cases have been brought by organized labor. It is a very difficult process to enter, and time-consuming. We need to shorten that process. We need to make sure that it is timely and certain.

Senator WYDEN. Great. Thank you very much. And I want to thank all of our witnesses. We look forward very much to working with all of you.

The CHAIRMAN. Senator Toomey is next.

Senator TOOMEY. Thank you, Mr. Chairman.

I want to thank our witnesses as well. But, Mr. Chairman, I want to focus on some of the concerns that I have about this agreement. And I want to start by pointing out a really important fact that we ought to keep in mind.

If and when we get to a vote on USMCA in the U.S. Senate, the choice we will be making is not between USMCA and nothing. The choice we will be making is between USMCA and the existing NAFTA agreement. And I say that because the President clearly does not have the constitutional or legal authority to unilaterally withdraw from NAFTA. And NAFTA is in place. It is in place by statute.

We should all be very clear about that. It is not going away. The President does not have the authority to do that. So the question

before us should be, is USMCA a better agreement than NAFTA, or is it not?

Now most of the witnesses here today in their prepared testimony have cited as one of the biggest benefits of the USMCA a reduction in trade policy uncertainty. Governor Blunt, you said that USMCA will, and I quote, “help bring much-needed predictability to the auto industry.”

Mr. Vilsack, you noted that USMCA will benefit the dairy industry, in part by, quote, “restoring certainty to U.S.-Mexico trade relations.”

Mr. Collins, you correctly identified that the positive effects of USMCA found by the International Trade Commission come, and I quote, “primarily from the certainty created by USMCA,” end quote. “Because markets abhor uncertainty.” That is also a quote.

So the question is, where does all the uncertainty come from? It does not come from NAFTA. NAFTA is a well-defined agreement we have had for a couple of decades. It establishes zero tariffs on 100 percent of nonagricultural goods, zero tariffs on 97.5 percent of agricultural goods. There is no uncertainty intrinsic in NAFTA. The only uncertainty is whether people think we might be unilaterally withdrawing from it, and the President has no authority to do that.

I think the question we ought to be asking ourselves about USMCA is, do the policy changes in USMCA actually promote growth relative to NAFTA?

My colleagues sometimes point to a study from the ITC that shows some very modest gains to economic growth from USMCA. It does. But tellingly, the ITC found that reducing, quote, “policy uncertainty accounts for nearly all the gains of the agreement.”

And if you back out the little tiny boost to GDP of this reduced uncertainty, then the ITC actually found that USMCA would reduce real GDP, by a very small amount—but it is not a gain. It is about 12 one-hundredths of a percent, about \$23 billion over 6 years. And that is despite the fact that the ITC’s analysis did not attempt to quantify, did not factor in at all, two of the provisions of the USMCA that are virtually guaranteed to increase uncertainty and diminish investment and reduce trade and act as a drag on growth.

One is the 16-year automatic expiration date, the sunset provision. The ITC explicitly chose not to try to quantify the effect of that. The other is dramatic gutting of protections for American investors in Mexico and Canada. How could either of those things provide more certainty? They clearly do not. The sunset provision—this agreement goes away in 16 years unless every one of the parties to the agreement agrees to extend it.

We have no certainty that that is going to happen. The investor-state dispute settlement mechanism, this is a provision that is in every single free-trade agreement we have except for Australia. And it says that if Mexican or Canadian courts treat our investors unfairly, they can seek recourse, including monetary damages.

Well, folks, this happens. And it happens in Canada as well as in Mexico. There is a case of a Canadian local government that tried to shut down a U.S. application to open a basalt mine by

claiming that the mine violated the, quote, “core community values” of the neighboring town.

“Core community values” was obviously an invention that was meant to discriminate against American investors. So the American investor challenged that in the ISDS and won. That is what it is there for: to prevent discrimination against American investors. And it works.

But now we are going to, under USMCA, completely eliminate the investor-state dispute settlement mechanism for Canada and virtually eliminate it in Mexico.

Now there are some provisions in the USMCA that I think are constructive modernization. The digital trade chapter is good. Enhanced IP protections is good policy; some very modest reciprocal reductions in ag barriers. But it is worth noting that these were all in TPP. These could have been achieved without this.

Mr. Chairman, I see I am running out of time, but I just want to say that if we adopt this agreement, it will be the first time that I know of in the history of the Republic that we will agree to a new trade agreement that is designed to diminish trade.

The combination of the uncertainty in these provisions and the onerous new costs imposed on Mexican automakers is designed to reduce trade in autos and diminish total trade. I do not think that is what we ought to be doing here. So I would urge my colleagues to think hard before we endorse USMCA.

The CHAIRMAN. I am glad you are so wrong. [Laughter.]
Senator Cantwell?

Senator CANTWELL. Well, Mr. Chairman, could he keep the sign up for one minute? I so appreciate many aspects of your remarks—not all of them—but I think the staff got it right with just that one little mathematical sign there of NAFTA is greater than USMCA. And I think that we have to remember, as Secretary Vilsack said, the great economic impact that NAFTA did have in some aspects of our economy. I am not saying in every aspect, but certainly in the State of Washington we export \$2 billion worth of goods to Mexico. It probably accounts for 107,000 jobs in the State of Washington.

And I certainly agree with my colleague that when we are talking about these things, we should be talking about expanding the economic opportunity. I agree, it is a modernization in some areas that were not previously included, but I want to also say I so support the chairman’s great activities in getting the administration to relent on 232 tariffs as they relate to Mexico and Canada.

I have a feeling we would not even be having this hearing today if that first had not been accomplished. So, I greatly appreciate that by the chairman. And I greatly appreciate, by the ranking member, his focus with Senator Brown on these enforcement mechanisms. This too is a critical aspect.

I authored some capacity building as part of the Customs bill to try to get USTR to have the capacity to follow up on disputes and enforce trade agreements. I just believe there is a big market outside the United States, but we have to have the tools and the teams to make sure that these agreements are lived up to.

And so I wanted to ask you, Mr. Wessel: earlier this year Mexico entered into new labor laws ensuring Mexican workers the right to

organize and bargain collectively. And now they have to create their independent labor courts. And you were mentioning Colombia and the challenges that we faced in getting the right infrastructure there to make these decisions. So now they have to implement these reforms.

So what do we need to do to build capacity in this area? And do we not need to put in place enforcement tools to build capacity to protect and enforce labor rights?

Mr. WESSEL. Thank you for your question. And also, the market opportunities you are talking about are enhanced by having workers be able to enjoy the rights so that they are good consumers of our products. So having labor rights in Mexico will enhance opportunities for our exporters of all products.

What you are talking about is a critical issue, and thank you for your leadership several years ago on the trust fund, because it helped to establish the funding mechanisms we need for this.

Mexico has a number of things it needs to do on its own, and they have set out a work plan to do some of that. In our opinion, it is far too lengthy. It is a 4-year process. It is uncertain—not only because of the constitutional challenges that have been lodged, more than 400 of them so far—but Mexico has failed to either define their budget or appropriate the money. That will come later this year.

So the U.S. helping on capacity building in Mexico is vital to help those workers who have not had rights, or understood their rights for so long, to have, much as we do with trade facilitation and capacity building, the support they need. It means having people at our embassy who are able to go out to the field and help support them, and understand what their rights are.

It means having capacity here to support the unions and the free labor movements that we need, as well as to have access to the process to make sure that we do not have to go to enforcement where injury has occurred, but we can build the capacity to be able to make sure the agreement is a success.

Senator CANTWELL. So you mentioned—you said U.S. support for that. So you believe that, similar to using the Customs bill and using those dollars to hire more lawyers at USTR, we should also hire more capacity for implementing these, helping to implement or oversee the enforcement of labor agreements?

Mr. WESSEL. As we have in other trade areas—trade facilitation, et cetera, Customs, et cetera—there is a role for U.S. resources. Certainly we are not going to pay for Mexico to hire its labor inspectors. That is a governmental duty for them. But there is so much more infrastructure that can be put in place in Mexico to make sure that the workers understand, have the access, and know how to interact with their, hopefully free, trade unions and their government.

Senator CANTWELL. Well, Mr. Chairman, it may be a Northwest perspective, but we definitely see an economy outside the United States. And to me, the key is getting these issues right and making sure that we can enforce our agreements.

So thank you for those ideas today. Thank you, Mr. Chairman.

Mr. WESSEL. Thank you.

The CHAIRMAN. Senator Cardin?

Senator CARDIN. Thank you, Mr. Chairman, and we thank all of our witnesses for your contribution to this.

The USMCA is clearly an important agreement for American manufacturers, producers, and farmers to maintain markets between the United States, Mexico, and Canada. So we all understand the importance of maintaining the trade relations between the three countries.

I just want to first underscore a couple positive aspects. We worked very hard on TPA to make sure there was a principal objective of trade to improve good governance. And we worked in TPP on a good governance, anti-corruption provision. Unfortunately, we are not part of that. But I want to just acknowledge that those provisions are carried over into the USMCA agreements on good governance and anti-corruption, which I hope will be standard for us on all trade agreements moving forward.

I also want to speak in favor of the access on the poultry industry, which is very important to the eastern shore of Maryland.

I want to also just agree with Senator Wyden on the point that you raised in regards to small businesses. A hat that I wear—I am the ranking Democrat on the Small Business and Entrepreneurship Committee, and the de minimis rule in the United States, the \$800 limit, is critically important, as Senator Wyden pointed out, for small businesses.

I am deeply concerned that, because of the way that this is structured, that number could be significantly reduced, affecting small businesses, because of the President demanding to have that to negotiate Canada's and Mexico's de minimis rule.

But in the meantime, who gets hurt if he changes it? The small businesses here in the United States. So I do not know whether we will have an opportunity to negotiate that further, but I can tell you, the way that is worded I think could be damaging to small businesses here in this country.

But I want to concentrate on the dispute settlement provisions and the fact that many of us think there is not effective enforcement on the U.S.-Mexico-Canada agreement. We carry over the provisions in regards to chapter 20 from NAFTA, which means it is difficult to see how—Mr. Wessel, you talk about the 4-year time schedule on labor, but if they do not follow it, what is the enforcement? What do we have? What do we do?

We are limited under chapter 20. So even if we want to use our antidumping and countervailing duty provision, which is a blunt instrument to enforce our trade rules under chapter 19—which I believe has been carried over to the U.S.-Mexico-Canada agreement—Canada and Mexico have the right to challenge us on using our traditional trade remedy rules.

So it seems to me that we have really compromised our ability to enforce the labor provisions, the environmental provisions, and other provisions that are in this law because there is not effective enforcement.

Question: how do we, within the context of the current agreement, fix that?

Mr. WESSEL. Well, my understanding is—that is one of the principal issues certainly you and others have raised, but it is one of the issues that is being discussed between the USTR and the

House working group to find a way to make sure that panel-blocking is eliminated and state-to-state dispute resolution will work, but is also supplemented and enhanced by the kind of provisions that Senator Brown and Senator Wyden have been talking about that will ensure that, not only is there the capacity within the structure, but that there are relief measures that are available if, in fact at a site-specific location, there have been inadequate labor rights for the workers.

So we need to fix the underlying provision. We need to supplement it with what, again, Senators Brown and Wyden are working on and is under discussion, as I understand it, between the House and the administration at this point.

Senator CARDIN. I want to give any one of you on the panel an opportunity to respond to Senator Toomey's point about the sunset provisions. Because I find that somewhat unsettling, the way that the sunset provisions have been drafted in this agreement: 16 years with a 6-year review that could lead to uncertainty as early as 6 years from now.

Does that raise concern?

Mr. VILSACK. Senator, one of the advantages of that process would be to give us, at least in the dairy industry, the opportunity to make sure that Canada is in fact following through on eliminating Class 6 and Class 7, which for the dairy industry is incredibly important.

So that is less of a concern on the dairy side, the farm side, because it gives us a chance to revisit—

Senator CARDIN. The chance to pull out of the agreement?

Mr. VILSACK. A chance to basically ensure that it is implemented in the way that it was intended.

Senator CARDIN. And if it is not?

Mr. VILSACK. Well, we have to make sure that Canada in fact follows through. There is a replacement system for the pricing mechanisms they are currently using, depending upon how that is implemented. It could have a positive impact, but we are wary because, in past agreements with Canada, they have had a tendency to fudge on their commitments.

Senator CARDIN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Warner?

Senator WARNER. Thank you, Mr. Chairman. Thank you and Senator Wyden for holding this hearing, and obviously this very distinguished panel.

I want to start with just some concerns I have about—a broader concern that this administration does not seem to have, I think, a really coherent policy when it comes to trade. I would argue, for decades our trade policy has built relationships and promoted American values. We have managed to maintain national security interests. I believe we missed an opportunity in TPP, frankly—particularly as we focus on America's relationship vis-à-vis China—to have developed a regional counterweight against China, both on trade but also on national security concerns.

Yet, the President took us out of TPP. On USMCA, it is interesting to see that there are so many areas where it appears, to me at least, that USMCA basically duplicates what we had already negotiated in TPP. So it was not like it was changing the standards.

And I worry that what we have seen from this administration is two allies like Canada and Mexico that we have ended up antagonizing—both of those countries.

I would offer for the whole panel: does anyone believe that the highly contentious and adversarial process that the President took with Mexico and Canada actually strengthened our relationship?

I will let the rest of the panel answer that, and then, Mr. Leathers, specifically, when the President constantly goes about and threatens to shut down the border, what does that do in terms of uncertainty vis-à-vis your industry?

So if anybody wants to comment first. Maybe we do not have to have everybody go through, but this notion of approaching our two allies Mexico and Canada in such an adversarial way, does that really build a stronger relationship? Does anyone want to take that on?

[No response.]

Senator WARNER. Let the record reflect that they are all being silent. [Laughter.]

Mr. WESSEL. I would be happy to respond, Senator. You know, from organized labor you might find it strange that we did not believe that the tariffs applied under section 232 on Mexico and Canada were appropriate.

The goal of enhancing aluminum and steel production in the U.S. to support national security was a goal, but the fact that the tariffs were applied more against allies than they were against those who were cheating and breaking the rules, to us was an inappropriate structure, and from day one we had said that they should not be applied to those two countries.

So we support some of the goals of what the administration is doing challenging China, et cetera, but there are a lot of questions about the execution underlying that.

Senator WARNER. I could not agree with you more that the goal was right, but somehow the amount of damage we did to both Canada and Mexico—long-term allies—Canada in particular, that we used the national security provision to go against them, I think was totally inappropriate. I have legislation with Senator Toomey on this issue.

Mr. Leathers, I want you to comment, because I do want to come back to Secretary Vilsack in a moment.

Mr. LEATHERS. Sure. So I will comment on both. First, on the issue of whether it created adversarial relations or concerns with some of the rhetoric, I mean, I think we could all agree—and I am not really looking to be political here with the statement—that there may have been times when the way things were expressed could have been done differently, or more delicately. But I also would tell you that in my experience—having again lived and worked, and predominantly 20 percent of my working life was in Mexico, 70 percent of my working life has been doing North American trade and working on North American trade activity with my customers—that what has happened is that the elevation of the conversation, business-to-business between companies, to talk about the real issues and the underlying problems and why they need to be addressed, has never been greater.

Seldom do we go to a meeting now on movement of freight that does not end up being an open, transparent dialogue about issues of concern to both parties. So I think there is a positive in there as well.

As it relates to border and border shutdowns, clearly any time there are threatened shutdowns with the border, it is a concern to me because it is a concern to my customer, and I am in the business of delivering their freight so they can make their products.

And so we would like to see—and I think one of the things USMCA does is, it at least gives the opportunity to provide a framework with, in my opinion, certainty that we can live with and have less disruptions.

Senator WARNER. Thank you.

I want to make sure I get Secretary Vilsack in. I worry that—and this was a prelude to USMCA—but when you get out of TPP, what happens with things like Japan, U.S. agriculture, and having the Europeans then come in and take advantage of that opportunity? Thank you.

Mr. VILSACK. Senator, the challenge, I think, is that it opened up an opportunity for some of our competitors, particularly in the dairy industry, to move into market opportunities that they did not have before.

Europe basically accelerated their negotiations with both Mexico and Japan once we pulled out of TPP to enter into a free trade agreement that put at risk common names, put at risk certain cheese names due to geographic indications, and negatively impacted our capacity to do trade in both of those countries.

Fortunately, the removal of 232 tariffs began a process of restoring that market in Mexico, and we are keeping our fingers crossed that negotiations with Japan will result in us getting back into that market fully and completely.

The CHAIRMAN. I will call on Senator Whitehouse. Because we have three votes, this is how we are going to run the committee. Senator Roberts is voting. And when he comes back, I am going to go over and vote on the first one and the second one, and we will keep it going.

So Senator Whitehouse is next.

Senator WHITEHOUSE. Great. Well, thank you, Mr. Chairman, and thank you to the panel for being here. Rhode Island, I think, was pretty hurt by NAFTA. I think you are seeing some interesting views across party lines here, because this is an area where geography and economy matter.

I can remember going to manufacturing facilities and seeing holes in the floor and asking what they were. Those were the places where the machinery had been unbolted from the floor of the plant so that it could be shipped to Central America so the same product, for the same customers, on the same machine, could be made in a different country thanks to NAFTA.

So I do not see this as a very significant change. I agree with the ranking member that this is just NAFTA 2.0. You can call it whatever you want, but it looks a damn lot like NAFTA. And if you focus particularly on the environmental side, which I tend to, this is really pretty bleak.

In this day and age, if you can believe it, this agreement does not even mention climate change. I mean, I do not know how grownups can write an agreement in this environment and not address these environmental issues and not mention them.

Second, it singles out the polluting industries to protect with ISDS, so that they remain able to go and bully and intimidate small countries that might try to regulate their pollution, which is, I think, really unnecessary and inappropriate.

I take as a signal the area of marine plastic debris, because the area of marine plastic debris is the one environmental area in which the Trump administration has tried to give itself some degree of environmental credibility. We have had bills come through this body unanimously. It has been very bipartisan. The President gave very strong remarks about marine plastic waste. “It is a tremendous problem,” he said. Thousands and thousands of tons of this debris float onto our shores after it is dumped into the oceans by other countries. This is a tremendous problem. Thousands and thousands of tons of garbage come to us.

So I start from the proposition that, on this issue, they are putting their best foot forward. This is how they are really going to try to make up for the environmental disaster that most of the Trump administration is.

But once you look behind what the President says, once you look behind what Secretary Pompeo says, once you look behind what Trade Representative Lighthizer says, it ain’t good.

Last year at the G7 meeting in Canada, the U.S. refused to sign the Oceans Plastic Charter. In March at the U.N. Environment Conference in Nairobi, U.S. interference produced nonbinding proposals and weak targets, and the U.S. then rejected even the final watered-down declaration. In June, the G20 failed to agree on concrete measures on marine debris, again reportedly due to U.S. intransigence. Most recently, EPA Administrator Wheeler pushed to have OECD member countries be exempt from new rules agreed to under the Basel Convention—already agreed to—that prevented the dumping of plastic waste without consent.

The headlines that I see on this: “U.S. halts tighter rules on plastic waste trade.” “G20 urges voluntary action on marine plastic crisis with the United States blocking demands for global targets.”

One unexpected sticking point at the G7: plastic pollution in the ocean. Why? The Americans did not want to sign onto an oceans charter which contained targets. They had hoped the U.S. would agree to take joint action to tackle plastic pollution in the world’s oceans, and in the end, it did not.

The communiqué released at the end of the summit: “We, the leaders of Canada, France, Germany, Italy, the United Kingdom, the European Union, endorsed the G7 Oceans Plastics Charter.” Guess who did not sign? The United States.

“Nearly all countries agree to stem the flow of plastic waste into poor nations. Not the United States.” “The United States is accused of blocking ambitious global action against plastic pollution,” March 15th.

All of those stories since March. So if this is the way that the Trump administration enforces environmental concerns that it

claims to support, then look out for the other environmental enforcements.

And as somebody who has been critical of the Obama administration for their incredibly weak enforcement of environmental and labor standards, I see us just going off a cliff. I see no prospect for any serious environmental enforcement. Our companies are going to lose business to polluters and people who dump plastic waste into the rivers and the oceans in other countries, and although there is a lot of big talk from the Oval Office about how this is their big environmental issue, when the rubber hits the road, when the negotiators are working on these agreements, it is always the Trump administration that is the weak link and dragging back against progress.

So I just find the whole thing pretty incredible at this point. Thank you.

The CHAIRMAN. Thank you.

Senator HASSAN?

Senator HASSAN. Well thank you, Mr. Chairman. And I want to thank you and the ranking member for having this hearing. I would also like to associate myself with Senator Whitehouse's remarks just now about environmental enforcement and protections.

Secretary Vilsack, I wanted to follow up on some of Senator Grassley's questioning to you about the enforcement mechanisms in the USMCA that would ensure that Canada reverses its unfair pricing policy for certain skim milk products called Class 7 products.

As you know, Canada has used this special pricing policy to undercut competition from American dairy exporters, including farmers in my State of New Hampshire. You have raised concerns that Canada could potentially work around the USMCA's elimination of the Class 7 price, effectively recreating unfair milk practices that are like the Class 7 price in everything but name.

So can you explain to the committee, please, how that might happen in practice, and how you think the USMCA's elimination of this milk price could be effectively enforced?

Mr. VILSACK. Senator, thank you very much for the question. There is no question that the Class 7 did in fact hurt your dairy producers as well as producers around the United States.

And for that reason, we strongly urged the administration to take a tough stance in the negotiations on this issue. Six months after the ratification of these agreements by all three countries, Canada has agreed to eliminate Class 6 and Class 7, replacing it with a classing system and pricing system that is tied to our Class 4 milk.

So first and foremost, it is an opportunity for us to keep an eye on how that is implemented.

Secondly, the agreement does contain restrictions or limits on how much can be in fact exported in these areas. And there are financial penalties, if you will, if those limits are exceeded. So obviously, it gives us a tool that we did not have relative to Class 7.

Then there is the opportunity for a periodic review of the agreement and concerns that all countries can raise whether or not the agreement is in fact being implemented. This is incredibly important. Seventy percent of the powder that is produced in this coun-

try is exported. So anything that impacts and affects the export of powder is certainly a concern to us.

So we are hopeful that the elimination of Class 6 and 7 and the export limitations and penalties will provide a forceful mechanism for us to ensure that it is indeed a repeal of Class 7 and not a replacement with something similar to it.

Senator HASSAN. Well, thank you. As you know, Canada's supply management for dairy is not very transparent, so we need to have effective enforcement of the USMCA to ensure that Canada does not restrict its dairy market in some new way.

I also wanted to touch on another aspect of the agreement when it comes to dairy. As you know, under the USMCA Canada has agreed to increase the amount of dairy exports from American farmers that are exempt from large tariffs.

You have suggested that Canada could still play games with these so-called tariff rate quotas. And you talked about that just a little now. You pointed out, for example, that in past years Canada's tariff quotas have counted cross-border purchases, like when Canadians drive to New Hampshire to purchase dairy products.

Can you elaborate on the games that you believe Canada could play with tariff rate quotas under the USMCA? And again, how do you think we can effectively stop them?

Mr. VILSACK. Well, there is obviously a concern in terms of how the Canadians define certain products, and how they define meeting the quota. You mentioned the fluid milk issue. There was a quota for fluid milk, and they basically contended that they were complying with the quota because people were crossing the border, purchasing fluid milk in New Hampshire, and then coming back into Canada.

Obviously, I think the concerns that that practice has raised will ensure that we keep a wary eye on these quotas, making sure that they are in fact enforced.

The good news is, the amount of the quotas, the amount of the increase, is greater than we would have received under TPP, and obviously we do not have to share that quota with other nations.

So clearly again, the opportunity to periodically review the agreement and the enforcement agreement gives us a chance to raise issues sooner rather than later and not have to wait for years and years and years to raise the issue. So I think it is an opportunity for us to make sure that our Canadian friends are following through.

Senator HASSAN. Thank you very much.

Ms. Barnett, your story from your testimony earlier reminds me of the many small online business owners in my State who are also helping fuel our economic growth. Unfortunately, in both New Hampshire and Oregon the Supreme Court's backwards *Wayfair* decision has created massive uncertainty for online entrepreneurs.

With all this uncertainty around Internet sales tax collection, I believe that trade certainty for small online businesses is all the more important. That is why I am concerned, like the chair and ranking member, about a footnote in the USMCA that would allow the administration to lower our so-called de minimis threshold that allows small businesses to ship products tariff-free and with simple Customs forms.

You talked a little bit about this in response to Ranking Member Wyden's questions, but just so people can understand this a little better, can you tell the committee how de minimis thresholds help cut red tape for your business's exports to Canada and elsewhere?

Ms. BARNETT. So when I ship, say a \$40 pair of earrings to Canada or Mexico, usually mostly Canada and not so much Mexico, it will generally fly across the border and into the customer's hands.

If an item is over a certain amount—I am not sure exactly what the amount is, but around like \$40—the customer is going to have to run down to the Customs office and pay a fine or extra taxes and duties just to collect their item. And sometimes it could be as much as they paid for the item. And I mean, that is—

Senator HASSAN. It is a major hassle for you and for them, and it is an impediment to your business. I am over time, so I am going to perhaps follow up with you in writing. I want people to understand how important it is to have consistent, predictable border policies and de minimis amounts, and I look forward to talking more about it. Thank you.

Senator ROBERTS [presiding]. As the acting presiding chairman, I know that Mr. Portman is next, but I had promised Mr. Thune, because of his schedule, I would recognize him next. In the Agriculture Committee, of which I am chair, I am fond of calling Mr. Thune, Senator Thune, a long-time friend, "Coop." That is short for a movie star way back with regards to the person who starred in "High Noon," Gary Cooper.

Then we realized that nobody knew what I was talking about in terms of Gary Cooper or the movie. [Laughter.] Nevertheless, for the first time in this committee, Coop, you are up.

Senator THUNE. Thank you, Mr. Chairman. And it is almost high noon. So—and you are my chairman, and I appreciate that. And like many people in the audience, I had to look up Gary Cooper to see if I was flattered by that or not. [Laughter.]

Let me just begin by saying that I want to associate myself with the comments that Senator Wyden made earlier about the strong bipartisan support there is for maintaining the increased U.S. de minimis threshold, which I think is something he and I got signed into law. I think it is really important, and I hope that in this agreement that we can maintain those levels, because I think it is important to our ability to trade effectively with other countries and make it easier for U.S. small businesses to compete.

Just very quickly, let me ask: this agreement, I think, is the most worker-friendly trade agreement the United States has ever considered, and it is a big improvement, in my view, on the North American Free Trade Agreement—the agreement under which we are currently operating—on the issues over which a number of my friends across the aisle have expressed concern.

So I would just like a "yes" or "no" answer from all of you on the panel. Given the choice between USMCA and NAFTA, which would you choose?

Ms. BARNETT. Yes.

Senator THUNE. So USMCA?

Ms. BARNETT. USMCA, yes.

Senator THUNE. Okay, great. Thank you.

Mr. BLUNT. USMCA is a significant improvement.

Mr. COLLINS. With the modernization of the rules and the transparency around the regulatory process for agriculture, we would choose USMCA.

Mr. LEATHERS. USMCA.

Mr. VILSACK. There are 2.2 billion reasons for saying USMCA, Senator.

Mr. WESSEL. USMCA, when fixed.

Senator THUNE. So let me just then say, my own view is that this is something we can get done and get done quickly, and I think it is an improvement. If you look at the whole gamut from manufacturing to digital services, to automotive, and for sure to agriculture, which I care deeply about, the ITC study said that it would create 176,000 new U.S. jobs, grow our economy, and raise wages for workers.

And so, given the breadth of the progress that we have made, I think it is time to pass this agreement and to start to realize some of those economic benefits.

In any of your opinions, is there any reason why we would not act now? And could somebody maybe just explain what the cost of not acting would be?

Mr. LEATHERS. Yes. So I will start. I mean, obviously our opinion is that we should act now. I think the cost of not acting is the uncertainty that we have talked about several times today.

In corporate America, we go through processes not dissimilar from the Federal Government to figure out and allocate capital expenditures. And in our company's case, that number is at or around \$300 million a year; some years a little more or a little less. Not knowing with great certainty that USMCA will be ratified makes it difficult to make decisions. We have invested heavily on the southern border, and our operation in Laredo is now 100 acres and the largest such operation of its kind on the southern border.

We would like to see that certainty. We believe it is a huge step forward. I personally believe, on labor in particular, it is a step forward, and the time to act is now.

Mr. WESSEL. My view is that we cannot afford the current situation. We cannot afford to see jobs like the bakery workers in Chicago and Philadelphia who are making Oreos, that those jobs have now gone to Mexico, where workers are making 97 cents an hour. And the last time I checked, the Oreo package is not being sold any cheaper here in the U.S.

USMCA, with its variety of provisions, labor laws that are going to be effectively enforced—implemented and enforced—can help change that. And we are working for that.

Mr. COLLINS. I would just add, maybe if we put ourselves in the role of our customers here—as a farmer, they typically make decisions about what they plant 12 months ahead. They start to order their inputs. They order seed. They plant. They make their farm management plan. And so having that certainty of where that demand is going to come from, that global market, really helps in that decision-making.

So growers are going to come through a tough year here in 2019, and they are trying to make the best decisions they can for 2020. And so having certainty about what that market looks like in the future would be very beneficial.

Senator THUNE. Thank you. And I could not agree more. Farmers and ranchers in my State, they are facing a ton of uncertainty about trade. And with all of these ongoing trade negotiations and their being unsure about what the rules of the road are going to look like in the future is very problematic.

And the one thing that we have in front of us that we can get done now, which starts to change that trajectory and bend it in the right direction, is this agreement. So we do not need to wait on this anymore. We need to get it done.

I know that the folks in Kansas the chairman represents and mine, desperately need this. So I hope we can get it done, and I thank you, Mr. Chairman. I thank my colleague from Ohio for his courtesy in letting me go first. Thank you.

Senator ROBERTS. I am happy to recognize Senator Portman, with apologies.

Senator PORTMAN. I thank the chairman. Thank you all for being here today. I think this was a great hearing to build on the momentum to try to get USMCA done. Because one of my colleagues had a chart earlier, I figured we have to have the dueling charts appear. So, what the heck, I thought we would bring one too. And Sam is doing an awesome job of holding that up. A little bit more to the—perfect.

Senator ROBERTS. Excuse me. Could you see what we have—oh, my Lord.

Senator PORTMAN. Let Senator Roberts see it too. So the—

Senator ROBERTS. It is too complex for me. [Laughter.]

Senator PORTMAN. The reason I—I am going to make it simple. The reason I like USMCA better than NAFTA is that it does modernize an agreement that is 25 years old, one. And so things like the digital economy—and Ms. Barnett talked about that today—I mean, we have to upgrade it, and that is done. And I think that is going to be very helpful.

We talked earlier about the de minimis threshold. We did not talk about the fact that Mexico and Canada both agreed to raise their de minimis threshold, not as much as I would like, but again the alternative is NAFTA. Or, I guess you could say, nothing. I think the alternative is NAFTA, because I think that is what we are stuck with. I do not think there is any way for the President to actually pull out of NAFTA at the end of the day, because it is a law. And, although this would be a case of first impression, that is what most of the lawyers tell me. As a former U.S. Trade Representative, I also like the fact that we now have some standards that we can turn to for labor and the environment.

We have these in all the more modern agreements, but not in the NAFTA, which is 25 years old. We can talk about enforcement, but folks, the choice is not about enforcement or not, it is about whether you even have the standard at all that is enforceable. And in NAFTA we do not, and in USMCA we do.

The market access for farmers in Ohio is very important to me, and that is why our ag community is strongly supportive of it. And I appreciate you being here, Secretary Vilsack, to talk about that.

In terms of the labor standards that are not only better and enforceable, we have things in this agreement that we have never had in any agreement, as Mr. Wessel knows. And some of my

Democratic colleagues who have talked for years about some of these issues, including talking to me when I was USTR, it surprises me that they are not finally saying that they can accept victory, because this is what they have been asking for.

Here are some examples. We will start with the number of jobs created. This is the ITC study. That is an independent entity as you know, and they did their analysis—176,000 new jobs.

Enforceable labor standards. Are they in NAFTA? No. Are they in USMCA? Yes. The same with environmental standards. Rules for the Internet economy we talked about, yes, no. Seventy percent of the steel of vehicles made, including in Mexico, has to be made with steel from North America. That is a big deal, and that is something I do not think has been talked about at all today.

That is in USMCA. It is certainly not in NAFTA. Forty to forty-five percent of the vehicles must be made by workers making at least \$16 an hour. Now, frankly, it is surprising to me that a Republican administration would negotiate that, but they did. And for Democrats now to look at it and say that is not good enough? Give me a break. I mean this is exactly what many of my Democratic colleagues have been calling for for years, and that is in this agreement.

Is it in NAFTA? No, of course it is not in NAFTA. So these are just an example of some of the differences. And I think if we are objective about it, as you all have been today, and point out what the differences are, I think it is a pretty easy decision for a Republican or a Democrat who really cares about these standards.

Now, Mr. Wessel, you have talked today about how you would like to see more certainty on the enforcement side. And I get that. By the way, I appreciate you are on the Goodyear board, a good Ohio company, and I appreciate all the work you have done over the years with the Steelworkers and others, and we have made some progress. But you are looking for a way to ensure that we can have better standards.

So I would just say that, of course we want them to fully and effectively implement these agreements. I would also say, if we want Mexico to do all that, if we want them to expedite the hiring of thousands of judges and labor rights' professionals, appropriate the funds necessary to implement the reforms, take labor justice seriously, we need to make good on our end of the bargain. Otherwise, none of that happens, I do not think.

In other words, Mexico adopted these reforms legally. They changed their laws, their statutes, because of this agreement and because of our willingness to say that we would make good on our promise and support USMCA.

You make a good point about Mexico's 4-year transition period for its labor reforms. I too want them to fully implement the law because, like you, I know it is going to help create that level playing field for our workers, but we also have to consider what governs the rules of U.S.-Mexico trade during that period, and that leads me to my question.

During the 4-year transition period for Mexico's labor reforms, is it better for American workers to compete under NAFTA's rules that lack labor enforcement, or under USMCA rules which upgrade

NAFTA to make labor provisions enforceable and make the rules of origin stronger?

Mr. WESSEL. Thank you for your question, and thank you also for your work leveling the playing field and other issues where labor has worked with you and your office; so we appreciate it.

Let me respond, if I can, not only to that question but the chart as well, because we are still working to improve some of those standards.

So as it relates to the 70 percent of the product, the steel and aluminum, it still would allow for Chinese carbon steel to be imported into Mexico, for example, transformed into body panels, and qualify as originating. Similar for aluminum.

We are seeking to fix that and have been engaged in discussions with the administration on that.

Your last point about earning at least \$16 an hour—it is actually an average provision. So you could have two people making \$28, which is often the base salary, three people, and then you would have a number who could make \$12, and it would all be averaged in.

So behind each one of the provisions you have outlined there, there is still a lot of work that needs to be done. And we are working on that. We are looking at trying to have a high-value target approach, working with the administration to make sure that in certain traded sectors—let us take autos and auto parts, which contribute so much to the bilateral deficit where we have seen so much job loss—that action in those work places be a priority first, understanding that it is going to take Mexico quite some time to be able to implement all of its commitments.

We think there can be a phased front-loaded approach to make sure that we get the high-value targets that matter to U.S. workers the most first, and implement over time all the remaining provisions.

Senator PORTMAN. Well, Mr. Wessel, I hope you will be able to work through some of those issues and get the clarification you need, but also not make the perfect the enemy of the good.

Mr. WESSEL. We are hard at work.

Senator PORTMAN. This is a vast improvement for you and your interests, and it would just be to me a crime if we were to end up not being able to get this agreement done and then go into next year, an election year, with all the uncertainty that that would entail. And again, all of us would have slight differences in how we would approach this, no question about it, but this agreement is a big improvement over the status quo, and I hope we can all agree on that.

Thank you.

Senator ROBERTS. Senator Portman, this is a tough choice in terms of awarding the former Senator Conrad Chartman award between you and Senator Toomey, but I think you won hands down. [Laughter.]

I will talk to you later about how you receive that.

Senator Carper? Senator Menendez, you are on deck.

Senator CARPER. Thank you, Mr. Chairman.

Secretary Vilsack, when I first met you, I think it was at new Governors' school, housed at the Hotel DuPont in Wilmington, DE.

And previously you had been, I want to say, was it a State Senator? And I would just say to the other panelists and our guests and my colleagues, I was so impressed with you as a newly elected Governor, not just by the fact you were smart and obviously worked hard and had a great wife, but I was impressed by your humility. And I say that one of the hallmarks of great leaders is humility, and I applaud you for the wonderful work you did as Governor, and then as Secretary of Ag for the entire 8 years of the Obama administration. And it is great to see you here today in this role. So, welcome.

I have a question for three of our witnesses. This will be a question for Jim Collins, for Mr. Wessel—Michael—and for you, Tom.

The question is about an issue that I raised at our last trade hearing—I think it was about a month or two ago, in June—involving enforcement of the new NAFTA through the state-to-state dispute settlement system. The state-to-state settlement system in the new NAFTA continues to allow for panel blocking, which is the main reason a dispute settlement panel has not been established since the early 2000s, as I recall.

The Trans-Pacific Partnership, TPP, made changes to fix panel blocking, but these improvements were not included in the new NAFTA. A number of the provisions from TPP were included, have been included. This is one that has not been included.

But from the Statement of Administrative Action the administration sent to Congress, it appears that the White House plans to use section 301 tariffs to unilaterally enforce the new NAFTA when a dispute occurs. I am concerned that using section 301 tariffs as a unilateral enforcement mechanism would very likely invite retaliation from Canada and Mexico. And as we have seen over the last year and a half or so, American farmers are oftentimes the first target for retaliation.

So here are the questions, if I could, for Jim, for the Secretary, and for you, Mr. Wessel. We have heard from just about all the witnesses today on the importance of business certainty. I hear that every day. It is part of my DNA as well.

How have the administration's section 301 tariffs on China and China's retaliatory tariffs impacted business certainty in the industries that you represent? Mr. Collins?

Mr. COLLINS. Thank you, Senator. In production agriculture, we have a deep history of cooperation with Canada and Mexico. Some of the statistics I showed earlier include exports being up 350 percent since the adoption of NAFTA. So, these areas that we are talking about covered by USMCA, we already have a very good traditional relationship. However, we do need to have some mechanisms in place to resolve disputes. There is no doubt about that. And it is our view that no one country should have the ability to block the enforcement of the panel process that you mentioned.

You know, I am not a trade expert, especially around the specific mechanisms that can be utilized for those enforcements. I will leave that to the administration and to Congress.

What we would hope for in that dialogue and discussion would be a system that is the most agile, and also action-oriented enforcement system as possible. So, despite the successes we have had, to have some mechanism in there is important.

Senator CARPER. Governor Vilsack?

Mr. VILSACK. Thanks, Senator. I appreciate the kind words. You and I share something in common: we both married up.

Senator CARPER. They did not do too badly either. [Laughter.]

Mr. VILSACK. Specifically to your question, we were headed, in the first 5 months of 2018, to a record year in exports with China. The assessment of the tariffs resulted in us losing that momentum, and we ended up with a roughly 43-percent decline in activity in China in the dairy industry.

So clearly, it has had an impact and continues to have an impact. I think the preference for the dairy industry would be that we would use tools other than tariffs to compel enforcement.

Senator CARPER. Mr. Wessel, could you respond as well, please? Just briefly. Thank you.

Mr. WESSEL. Yes, and thank you. I think the position of most of organized labor would be that we have lost far more jobs to the predatory protectionist and unfair trade practices of China over the years, and need to respond. The President's tariffs have brought the parties to the table. We hope that they will be successful. We are not interested in tariffs long-term, but we are interested in relief and therefore support the continuation of the tariffs.

Senator CARPER. All right; thank you. All right, Mr. Chairman, thanks again. Thanks to each one of you. It is great to see you all. Thank you—especially our friend from Oregon. Your testimony was very compelling and heartfelt. Thank you.

Senator ROBERTS. Senator Menendez?

Senator MENENDEZ. Thank you, Mr. Chairman.

Not a week goes by that I do not hear from folks in New Jersey who find it harder to grow their businesses and hire more workers because of the administration's unpredictable trade policy.

Over a year ago, the President imposed tariffs on our allies in the name of national security. A month ago, he put tens of thousands of American jobs at risk by threatening tariffs on Mexico, our third largest trading partner, over an issue completely unrelated to trade. And just last week, he threatened to do the same to Guatemala.

Now, I always like to remind people that "tariff" is just a fancy word for a tax. And those taxes are ultimately paid by the American people. And every time the President threatens to impose more tariffs, he forces businesses to freeze their plans, rearrange their supply chains, and lose export sales due to retaliation.

So when we talk about Democrat efforts to strengthen labor protections and enforcement in the new NAFTA, these are not insurmountable challenges. But every time the President threatens to pull out of NAFTA, or he creates more uncertainty for businesses and jeopardizes the opportunity to fix NAFTA's shortcomings so we can finally get a trade agreement that works for all Americans, I think that that is greater uncertainty.

So I would like to ask our witnesses. Would you agree that threatening to put tariffs on imports from a major trading partner on an issue completely unrelated to trade has increased uncertainty and held back our economy in the past few months? Mr. Blunt?

Mr. BLUNT. I can certainly start. Certainly threats of tariffs, just by definition, do create uncertainty for industry.

Mr. COLLINS. I would say, specifically, tariffs have created some impact with our grower customers. You mentioned China earlier, and the impact on farmers on trade as that has been felt.

At the same time, the offset here is we have to acknowledge that there have been other issues on the intellectual property side and the approval of biotech imports.

Senator MENENDEZ. Is immigration something worthy of putting in tariffs that disrupt the economic realities?

Mr. LEATHERS. So I will not speak to that because I am not an expert on that, but I will comment that—

Senator MENENDEZ. Well, it does not take an expert to understand that, if you apply tariffs to non-tariff issues, you are creating uncertainty. You know, I had just about every major CEO of every company come to visit me when the committee was considering tax reform. And while they had different visions of what tax reform would say, the one common thread, regardless of what sector of the American economy they were involved in, they said to me two things: “No matter what your tax policy is, give me predictability and certainty, and we will make money.”

Well, the President is driving the greatest lack of predictability and creating the greatest amount of uncertainty in his tariff wars. And you all stay quiet over it. It is pretty amazing.

Let me ask you this. Would USMCA prohibit the President from imposing tariffs on Canada or Mexico for issues not related to trade? Governor Vilsack?

Mr. VILSACK. No, Senator. And in fact agriculture, I think, has deep concerns about the use of tariffs. Because every time the tariffs are utilized, it is agriculture that pays the price.

Senator MENENDEZ. In other words, even if we pass USMCA, the President’s conflation of trade and other issues can be a continued source of economic uncertainty. Is that not fair?

Mr. VILSACK. Yes.

Senator MENENDEZ. Let me ask you this. Is it correct that USMCA and NAFTA have essentially the same procedures governing withdrawal?

Are any of you familiar with that? Can anybody give me a “yes” or “no” answer?

Mr. WESSEL. I am not aware of any change in the USMCA—

Senator MENENDEZ. Let me help you out there. They are the same procedures. So if they are the same procedure, could we not find ourselves facing the same uncertainty if the President in the future threatens to withdraw from USMCA over an issue like immigration?

Mr. VILSACK. I think the hope from the ag community would be that the President and Congress eventually end up with a comprehensive immigration reform package that makes sense.

Senator MENENDEZ. That has been my hope for some time. We passed one in 2013 with 67 votes in the Senate, only to languish in the House and never get a vote. But my point is this: it is beyond immigration.

The point is, when you use tariffs for non-tariff issues, for non-trade issues, you are creating uncertainty. Let me ask you one last question.

Mr. Wessel, turning to labor reform, Mexico enacted an ambitious labor reform package. There is a lot of work between having reforms and making those reforms enforceable. What specifically should we be looking for when it comes to questions of implementation, resources, and enforcement so that we can finally get an agreement with Mexico that addresses the shortfalls in labor rights there?

I mean, Colombia is an example of where we went wrong. That is why I did not vote—I am a big fan of Colombia as a country. It has come a long way. I did not vote for their trade agreement because it did not have enforceable protections. I was just in Colombia recently. Sure enough, everything I was worried about is happening.

What should we be looking for as it relates to Mexico?

Mr. WESSEL. I think the experience you just outlined with Colombia and the certification of its compliance with standards, and the action plan before those provisions were in fact appropriately implemented, has given us tremendous pause. And we believe there need to be strong certification provisions in the USMCA that will ensure that there are certain steps that have to be taken before the agreement enters into force.

And those would look at what Mexico has already identified publicly as the steps they will take to hire the inspectors, to hire the judges, to put the infrastructure in; what we need to do here is to support that through a variety of mechanisms that would support facilitation and capacity building on the ground.

No one should think that USMCA is going to enter into force on January 1st if we pass it in the next couple of months. There is a lot of work that needs to be done before it should be implemented so that we have the confidence that what you are raising about Mexico doing the right thing happens.

Senator MENENDEZ. Thank you, Mr. Chairman.

Mr. LEATHERS. Mr. Chairman, if I may? Could I make one comment to the last line of questions?

Senator MENENDEZ. Certainly.

Mr. LEATHERS. I was attempting to make it several times. Just this idea that being unrelated, and immigration being unrelated—I just want to speak for the trucking industry—because there was, in this case, some very direct relationships for us.

So as Customs and Border Patrol people and assets were being shifted from Customs to Border Patrol, we saw crossing times go from 45 minutes to up to 9 to 11 hours for extended periods of time. So the immigration issue to us was affecting trade, and we saw it in slowdowns in the supply chain and our ability to deliver on behalf of our customers.

So that was the point I was trying to make at the beginning, that there was connectivity in our view.

Senator MENENDEZ. And those wait times were increased because of a differing in policy, because otherwise those border crossings would be much more effective.

The CHAIRMAN. Senator Roberts, and then Senator Brown.

Senator ROBERTS. I have 7 minutes before the vote, so do not worry, I will be on time.

I do not think I have been on a trade hearing—and I have been through a lot of trade hearings even dating back to NAFTA—that has had a better panel than this panel, representing all segments of the American economy and industry, and thank you all for coming. You made excellent statements. So, feathers in your cap with regards to that.

I wish we would quit beating up on NAFTA. I remember the days when Kika de la Garza, the great chairman of the sometimes powerful House Agriculture Committee—I was the ranking member—had the distinction of doing that; we worked terribly hard on NAFTA. He would take me to Florida, take me to Texas where there was some opposition, and he said, “Well, I am a little mixed on this NAFTA, but here is a guy from Kansas who wants it, so let him talk.”

And so we had a good time. And if you look at the progress over the several decades that followed, it has been unprecedented.

I had a whole series of questions to ask, but I am going to turn to Tom Vilsack, who is my great friend. I remember him when he was Governor, when he was a presidential candidate, when he was a Secretary, and now of course in his current role.

And, Tom, what I am really concerned about is, if this continues with the tariffs, the tariff retaliation, more especially with agriculture—I want to just look at that scope. We are into mitigation payments. Never expected that. Farmers do not want aid, they want trade. You know that. And you have been a great proponent of that.

You know, if we did it in 2018 and 2019, and with the demand situation that we see out there and a continuation of no real breakthroughs, if we can possibly get that one shot, but that is an uphill battle, and I am just very worried. Other things, effects of Mother Nature on world demand for product, where we are in 2020, 2021, 2022—if this keeps up, we are going to lose a lot of folks in the agriculture sector.

And once that happens, it is very hard—when you lose a market, it is hard to get it back. When you lose a farming operation, it is very seldom that you get at least the same family—maybe somebody else will jump in and take the punch.

Where are we headed? What do you see if we do not get a better situation with trade down the road for agriculture? And I am talking about looking over the hill. I am not talking about right now.

Mr. VILSACK. Senator, thank you for the question. As I said earlier, last year we lost 7 dairy farms a day, in large part because of market conditions and circumstances impacting and being impacted by trade.

I think the future for American agriculture long-term can potentially be quite bright, because there are rising middle classes, increased populations, and there is an opportunity obviously to feed an ever-increasing world population that is urbanizing. That plays to the strengths of American agriculture.

Having said that, I think it is going to be incredibly important for us to have trade agreements that provide a level playing field for our farmers and for American agriculture and the food industry.

Let me give you an example. In Japan, by pulling out of TPP, we essentially invited the European Union to come in and complete their free trade agreement. Here is what is at risk.

If we do not get a fair, level playing field in Japan with our European friends and our New Zealand friends, we could lose a third of our market share and our number four market, as opposed to the possibility of increasing by twice the volume and triple the value of dairy sales in Japan if we just have a level playing field.

So that is, I think, an example of the opportunity that exists, but it does require us to be more competitive. And it does require us to have a level playing field. And that requires trade agreements that level that playing field.

And it starts, I think, with USMCA, because that is where our number one market is, in Mexico—preserving that market and expanding opportunity in Canada.

Senator ROBERTS. I appreciate your comments. I want to thank all the witnesses for emphasizing the value of “Omska,” which by the way is USMCA, which stands for the United States Marine Corps Always. [Laughter.] And a fair trade deal too.

Tom, thank you, and thank you again to all the witnesses. We are going to do the best we can on this committee, and we have been working hard, the chairman has, Sherrod Brown has, all of us have, in a bipartisan way. Thank you so much.

The CHAIRMAN. Senator Brown?

Senator BROWN. Thank you, Mr. Chairman. Thank you for your comments, Senator Roberts.

I want to focus on the need for—perhaps not surprising to some of you—the need for enhanced enforcement for what I will call anti-outsourcing provisions, the labor and environmental standards in our trade agreements.

We know that corporations offshore jobs to low-wage countries like Mexico because it helps their bottom line. In 2014, Goodyear, an iconic American company headquartered in Akron, OH, announced they were going to make a \$500-million investment in a new manufacturing facility in the Americas.

I wrote the CEO urging him to consider building that plant in Ohio with our highly skilled generational workforce. They chose instead to build the plant in San Luis Potosi. It opened in 2017. Representative Blumenauer of the Ways and Means Committee, I believe the subcommittee chair on trade, led a codel of House Democrats to Mexico earlier this month. They asked in advance if they could tour the facility. Goodyear said “no.” They showed up at the facility and asked if they could enter. Goodyear said “no.”

We know why the company does not want members of Congress to tour the facility. Workers there make less than \$6 an hour, many much lower than that, far lower than the \$23 an hour their American counterparts make. They are subject to a protection contract, meaning a collective bargaining agreement written Mexican-style. Their past governments, PRI governments and others, buy the employer for the employer. Between 600 and 800 workers went on strike within a year of the plant opening to protest the low wage and working conditions.

The company turned around and fired dozens of these workers. Goodyear built that factory in Mexico instead of Akron because of

the low wages, because they would not have to live up to U.S. labor standards. They did it to make more money for executives at the expense of American jobs.

Our trade agreements, again, let them get away with it. This new NAFTA is no different. Our first goal must be to stop American jobs from going to Mexico. If this administration, though, does not make improvements so that the anti-outsourcing provisions are actually enforceable, then more factories will be built in Mexico instead of Ohio.

Senators Cantwell and Cardin, and Mr. Wessel, all mentioned the Brown-Wyden Amendment and what that means. It is why Democrats—it is what we are fighting for here. We want our trade agreements to stop the race to the bottom, not exacerbate and accelerate it.

Ranking Member Wyden and I offered the proposal that would allow the U.S. Government to inspect factories in Mexico and then block goods from those factories into the United States—not just denial of NAFTA benefits, but blocking goods from those plants into the United States if violations were found. It would allow us to enforce our labor standards at that Goodyear plant at the factory level where the violations occur.

My questions are for you, Mr. Wessel. I know you are on the board. I know you have a fiduciary responsibility to Goodyear. I ask you to answer these as the labor representative on this panel. And since I do not have a lot of time left, I ask that you give “yes” or “no” answers.

Do you agree that companies like Goodyear build new factories in Mexico and not in the U.S. because they can pay the Mexican workers lower wages?

Mr. WESSEL. Yes.

Senator BROWN. Do you believe a U.S. company would deny members of Congress access to their Mexican facilities because they would not want elected officials to see their labor violations at that facility?

Mr. WESSEL. Yes.

Senator BROWN. Do you agree that, without the changes Democrats are asking for, the new NAFTA will let companies continue to make offshoring decisions like that with impunity?

Mr. WESSEL. Yes.

Senator BROWN. Do you agree that the facility-level inspections on enforcement, the core of Brown-Wyden which I described earlier, are necessary to make sure NAFTA’s outsourcing provisions actually mean something?

Mr. WESSEL. I would say it is vital, yes.

Senator BROWN. Thank you. I ask unanimous consent to insert two things into the record: first, Mr. Chairman, the letter I wrote to the CEO of Goodyear, Richard Kramer, in 2014 urging their company to build a new factory in Ohio.

And second is the letter sent to the same CEO, Mr. Kramer, yesterday by House Democrats asking the company to respond to worker reports of labor violations at the facility that those members of Congress were denied access to.

The CHAIRMAN. Without objection, they will be included.

[The letters appear in the appendix beginning on page 52.]

Senator BROWN. Thank you.

The CHAIRMAN. Senator Cortez Masto?

Senator CORTEZ MASTO. Thank you. Thank you, Mr. Chairman. I am committed, and I think I have said this in the past, to work collaboratively to get a positive outcome here. I think we all are. And there are some good things within the proposal that I have seen.

But we also know that more work needs to be done. I do want to reaffirm my hope that the administration will continue to work with the Democrats to incorporate the Brown-Wyden labor enforcement proposal to make the agreement as good as possible for American workers, and to ensure it gets bipartisan support.

I also want people to know that, in Nevada, we do have a dairy industry. So there are some good proposals and opportunities there. So, thank you for the hard work.

Mr. Wessel, let me ask you this. You talked a little bit about these earlier, which are the protection contracts when we are dealing with Mexico. I also understand Mexico wants to phase in their compliance over a 4-year period.

What is your understanding of why the old protection contracts are allowed to continue for up to 4 years before they are phased in? And why is that unacceptable?

Mr. WESSEL. Well, two things. One, the provisions of Mexico's labor law—if fully implemented, funded, et cetera—will require that, for any new contract to be voted on by the workers, the 4-year phase-in regards existing contracts. And during the 4-year period, every one of them will have to be voted on.

So they have tried to have an orderly process with 700,000, or however many of those agreements exist; they are trying to be able to accommodate that. Our view is, it needs to be a shorter period of time, and it needs to be front-loaded in terms of making sure the most trade-impacted or trade-sensitive ones vis-à-vis U.S. jobs be voted on as early as possible.

Senator CORTEZ MASTO. And what is the shorter period of time that you are looking for?

Mr. WESSEL. We would like to see this by starting mid next year.

Senator CORTEZ MASTO. Okay. And is this something that you identified earlier, that the USTR and the House working group—is this something they are working on as well and an area they are trying to address?

Mr. WESSEL. As I said earlier as well, this administration has been more aggressive about engagement, more responsive, than any I have seen, and I have done this for 40 years. There is still a lot of work. This is one of the items on the table, and I do not think Democrats are willing to push their chairs away from the table until this issue is addressed as well.

Senator CORTEZ MASTO. And how long do you anticipate it will take for the Mexican Government to build its legal infrastructure to ensure the reforms are fully implemented?

Mr. WESSEL. They have a document the Department of Labor has put out that has a schedule for implementation. We think that needs to be kept—they need to be kept strictly to that schedule. And again, as I said earlier, entry into force of the agreement

should be delayed until there is certification that they are in fact living up to the standards and the commitments they have made.

Senator CORTEZ MASTO. Okay, thank you. Thank all of you for being here.

The CHAIRMAN. I have two questions I want to ask, and then, if nobody else shows up, we will adjourn.

Governor Blunt, the U.S. International Trade Commission has highlighted that the agreement will have a number of important economic things, including 176,000 new jobs for our country. However, you have said the benefits will actually be even larger, particularly for the U.S. auto industry.

I would like to have you—since you have a good view on this, could you explain how you have come to that conclusion on the benefits that I read about?

Mr. BLUNT. Certainly, Senator. And thank you for the question. We believe that the changes in USMCA, particularly the changes in the rules of origin, will drive tremendous investments in the United States, and in North America, but in the United States in particular.

The USTR has done analysis that is based on plans submitted by the companies for what they will need to do, the transition plans that they will need to comply with. And if you aggregate those, you have \$34 billion of new automotive investment over a 5-year period, \$23 billion of annual sourcing of U.S. parts, and then they conclude over 176,000 new jobs.

We think the jobs number in particular is probably conservative, but all of those numbers are easy to support. Our three member companies—FCA, Ford, and General Motors—which have deep footprints in the United States, have announced \$6 billion in investment. And all three have cited the need to comply with USMCA rules of origin as a part of the reason they locate that investment in the United States.

The CHAIRMAN. Thank you for that answer. And I want to ask Mr. Wessel just kind of a do-you-agree or do-you-not-agree—three questions.

Do you agree that this is the first time we have had such strong labor and environmental commitments in a free trade agreement?

Mr. WESSEL. Yes, but they need enforcement provisions, and certain standards need to be fixed.

The CHAIRMAN. Okay, and I have publicly expressed my willingness, as Ambassador Lighthizer is doing, to try to see what we can reach to particularly get this through the U.S. House of Representatives.

Also, by any measure the labor and environment commitments in the agreement exceed those of any other free trade agreement. Would you agree on that?

Mr. WESSEL. I would say on labor they are a step forward, which labor has indicated. On environment, there are actually a number of MEAs that are not subject to commitments, so the environment is actually a step backwards in many areas.

The CHAIRMAN. Okay; and then the USMCA labor commitments have heavily encouraged Mexico to pass and then commit to expeditiously implement historic labor reforms. Do you agree? And I

think maybe I heard the answer in a previous question you responded to, so if that is a repetitive question, still answer it.

Mr. WESSEL. We are very appreciative of the steps that Mexico has taken to implement the constitutional changes that passed 2 years ago, I believe it was. They still need work, and we are in fact deeply engaged, organized labor is, to try and make sure they are able to implement all of those on the ground.

The CHAIRMAN. As I should, for the hard work that all six of you have put into this, I would thank you for your time commitment and being here from your busy schedules to answer questions. Your input has been extremely valuable.

I think that I want to see this agreement get through, even if some changes have to be made to get it through the House of Representatives, because we have a chance to bring more jobs and opportunities to American farmers, workers, businesses, and even benefit our consumers.

So, for the benefit of staff who are still here, but I think is pretty normal, we will have until close of business August the 13th for questions to be submitted in writing. And if you folks get such questions, I hope you will respond to them.

Thank you all very much. Meeting adjourned.

[Whereupon, at 12:55 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF PAULA BARNETT, OWNER,
DESIGNER, MAKER, PAULA ELAINE BARNETT JEWELRY

Good morning. My name is Paula Barnett, and I am a jeweler living in Brownsville, OR with my 9-year-old daughter Carla. Thank you, Chairman Grassely, Ranking Member Wyden, and members of the committee, for inviting me to speak with you today about my creative business.

I am a self-taught fine jeweler. I spent 6 years studying art and architecture history, and while I loved it dearly, the career options were extremely limited. After failing to find a job in my field, I conducted obsessive market research and decided to become a jeweler. I've always been a maker, and once I had decided on this path, I dove head-first into teaching myself how to make jewelry with simple tools and equipment. I launched my business in 2013 on Etsy, an online marketplace for handmade and vintage goods, and craft supplies. Within a couple of months, I had already earned enough to cover my initial investment in tools and supplies—a rare feat for a new entrepreneur.

Today I am a full-time goldsmith. I make custom engagement and wedding bands using recycled fine metals and ethically sourced stones. I've come a long way from making brass rings shaped like mountains to setting diamonds in solid gold. My work is 100-percent made by me, with my own hands, in my home studio in Oregon.

I am also a single mother, and my business allows me to be there for my daughter Carla. I am home when she gets off the school bus, sick days are a non-issue, and my flexible schedule allows me to raise my child as I see fit. I am very blessed in this regard. Carla also benefits from watching me exert myself creatively and succeed in business. As an artistic child herself, her experience with my business will help her flourish in her own capacity when she grows older.

I'm proud of my success, but my story is not unique. Globally, Etsy hosts over 2.2 million creative entrepreneurs like me, and fully 87 percent of those sellers are women. Nearly all of them are businesses of one working out of their homes. We are micro-businesses, yet we have a significant impact on our communities and the broader economy. In 2018 alone, U.S. Etsy sellers contributed \$5.37 billion to the US economy, and created over 1.52 million jobs.¹ Our impact is especially big in rural communities like mine. For example, 27 percent of Etsy sellers live in rural communities, compared to just 17 percent of business owners nationwide.² Individually, we may be small, but together we are supporting our families and revitalizing communities across the Nation.

Perhaps it's surprising to find a business as small as mine testifying before Congress about a multilateral trade agreement, but I'm an exporter in my own right. About 20 percent of my sales are international. Like many Etsy sellers, I made my goods available to international buyers from the moment I opened my online shop. Today, 52 percent of all Etsy sellers export their goods. Unfortunately, the U.S. is the only one of Etsy's core markets where the majority of Etsy sellers do not ship their goods to other countries. For example, 90 percent of Canadian Etsy sellers ship internationally.

¹ Etsy. Economic Impact Dashboard. *etsy.me/impact dashboard*.

² Etsy. *Celebrating Creative Entrepreneurship Around the Globe*. 2019.

Trade agreements like the USMCA have huge potential to help U.S. micro-exporters like me grow our international businesses. In particular, de minimis Customs thresholds, digital trade provisions, and educational resources targeted to small businesses could all help me increase my exports.

First, my business depends on my packages being delivered quickly and with minimal hassle to my overseas customers. Creative entrepreneurs rely on each and every customer, international and domestic, to make their living. Unfortunately, many of my customers must pay extra taxes and fees on the pieces I export, often unexpectedly. I have had many packages get stuck in Customs, and to the dismay of my customers, they must travel in person to pay the required fees before collecting their item. In some cases, the cost can nearly double the price of the item. This is a hindrance to sharing my work with the world. A few customers have even refused packages due to extra taxes and duties. In those cases, I find myself having to refund the item including the shipping costs, or risk incurring a negative review, which can make or break an e-commerce business like mine.

De minimis Customs exemptions are the single greatest tool policymakers can use to help small and micro-businesses export their goods. They enable my packages to move quickly across the border, which is especially important as consumers expect faster shipping times. With plenty of customers in Canada and Mexico, I am encouraged to see that the USMCA would increase de minimis thresholds for both of these trading partners.

The U.S. de minimis threshold is also important to my business. In addition to exporting my goods, I also import many of my supplies. For example, I import my opals from a supplier in Mexico. Some of these stones are of a high value, but do not reach the \$800 U.S. de minimis threshold that Congress established in 2015. I also occasionally process returns, and am relieved that I do not need to pay additional fees on these shipments. Given the importance of de minimis Customs thresholds to my business, I'm hopeful that Congress will ensure the final agreement establishes certainty, not uncertainty, around this important issue.

Second, digital trade provisions allow me to use the Internet and online platforms like Etsy to reach buyers around the world. Thank you, Senator Wyden, for your early and ongoing leadership in this area. I can't overemphasize how important the Internet is to my business and my family. My entire business is online. Without the Internet, I and countless others like me would be without work. A job is one thing, but doing something you are passionate about is something else entirely. And that is what my jewelry business is to me.

I'm thankful that I can focus on growing my creative business, and don't need to think about the digital infrastructure that underpins global e-commerce, whether it be data processing and transfer, electronic payments across multiple currencies, or the intermediary liability protections that enable Etsy to operate an open, uncurated marketplace. Regarding intellectual property protection, I have used Etsy's notice and takedown system three times in the last 6 years to protect my own work, and would be thankful if such systems and a balanced approach to copyright protection were the norm worldwide.

I am honored to share my story with all of you today. My plans for the future include growing my wholesale accounts, expanding the complexity and craftsmanship of my work, opening a retail studio space where I can meet with clients, and continuing to make jewelry alongside my daughter, who is my biggest fan. As an Internet-based entrepreneur, I'm hopeful the U.S. can set the standard for sensible e-commerce policy through agreements like the USMCA, and that these provisions can and ultimately will be enforced, to ensure the Internet continues to act as a launching pad for millions of micro-business exporters like me.

Thank you so much for your time and the opportunity to speak before you today.

QUESTIONS SUBMITTED FOR THE RECORD TO PAULA BARNETT

QUESTIONS SUBMITTED BY HON. CHUCK GRASSLEY

Question. The USMCA digital trade chapter will not only benefit traditional tech companies. It offers benefits for firms across sectors, like manufacturing, transportation and agriculture. Businesses of all sizes rely on the Internet to sell their products globally. Global business rely on the free flow of data to conduct business and communications, and make payments. Our modern economy requires modern rules.

Would you briefly describe how the digital trade provisions in the USMCA will benefit your business and other companies that utilize the Internet to do the business more generally?

Answer. I am a small business of one, working out of my home in a rural community in Oregon. Yet thanks to the Internet and the digital infrastructure that underpins it, I am able to sell my jewelry to customers around the world. The digital trade provisions of the USMCA ensure that businesses like mine can continue to use online platforms like Etsy to reach a global customer base. For example, the digital trade chapter of USMCA protects the free flow of information across borders, enables digital transactions, and protects the online intermediaries we depend on from undue liability for user-generated content. The digital trade protections in USMCA are essential to my continued ability to find customers abroad and transact with them seamlessly.

Question. The Customs and Trade Facilitation chapter of USMCA includes new provisions that cut red tape and ease trade with our neighbors. The USMCA requires Canada and Mexico to raise their de minimis Customs thresholds, which will allow U.S. businesses to export low-value shipments to Canada and Mexico free of duties, taxes, and burdensome paperwork. The agreement also requires making Customs regulations readily available online with a searchable database to streamline procedures that will especially help small and medium-sized businesses.

How do the streamlined Customs procedures in the USMCA make it easier for a small business like yours to succeed and reach more customers in Canada and Mexico?

Answer. The Customs and Trade Facilitation chapter of USMCA would improve my ability to sell my jewelry into Canada and Mexico, where I already have many customers. To date, it has been a major hassle for me to ship goods to these countries, due in large part to their low de minimis thresholds. My goods may get stuck at the border, or my customers may refuse to accept a package when they realize that they must pay additional fees before collecting the items. I often end up reimbursing these costs or processing a refund (even though the buyer is technically responsible), because providing exceptional customer service is my top priority. I believe increasing the Canadian and Mexican de minimis thresholds will eliminate this unnecessary friction and increase my ability to export my goods to these countries. I would also benefit from clear, simple, easily accessible information regarding Customs regulations, both to inform my own research when exporting my goods, and also to share with buyers who may be confused about their own obligations. Any effort to put this information online in a simple, clear, user-friendly, machine-readable format would benefit small and micro-exporters in the U.S.

Question. It's critical that our trade agreements support small business owners like you. You operate a small business out of your home that, in part, relies on your ability to import materials you then use to craft the finished products you sell. And in many cases, these are products you sell to international customers. In 2016, Congress increased the level at which customs duties and fees apply to imports from \$200 to \$800. Even though this was a popular, bipartisan initiative that helps businesses like yours, the administration has suggested that it may try to lower the U.S. level in the USMCA implementing bill.

If the U.S. were to reduce this level, how would your business and other small online enterprises be affected?

Answer. I am strongly supportive of Congress's action to increase the de minimis in 2016, and depend on the U.S. de minimis level of \$800 to import my materials into the U.S. For example, I source my opals in Mexico, and the shipments never exceed \$800. If I had to pay additional fees on these imports, I would likely have to increase my prices or reduce my margin, both of which would harm my business and potentially threaten my ability to export these goods to international customers. Likewise, I occasionally have to process returns from customers in Canada and Mexico. I sell fine jewelry, much of which is priced between \$200 and \$800. If I had to pay additional fees on my returns, that would make the difficult setback of an unanticipated return even more challenging to manage. I strongly oppose any effort on the part of the administration to lower the U.S. de minimis level, as doing so would hurt my micro-business and many others like it.

QUESTION SUBMITTED BY HON. PATRICK J. TOOMEY

Question. I have been clear in my view that the President does not have the unilateral power to terminate NAFTA without the consent of Congress. As you know, article I, section 8 of the Constitution explicitly vests Congress with trade responsibilities, and there is no explicit language anywhere in U.S. statute that delegates to the executive the ability to unilaterally withdraw from trade agreements.

Do you believe that the President has the legal authority to unilaterally withdraw the United States from NAFTA?

Answer. I do not have specific legal expertise regarding the President's authority to unilaterally withdraw from NAFTA without the consent of Congress. However, as a micro-business owner, I believe that withdrawing from NAFTA would harm my business by increasing the costs I face importing my supplies and reducing my ability to export my goods to Canada and Mexico.

 PREPARED STATEMENT OF HON. MATT BLUNT, PRESIDENT,
 AMERICAN AUTOMOTIVE POLICY COUNCIL

Chairman Grassley, Ranking Member Wyden, and members of the committee, thank you for the opportunity to testify today on USMCA—a truly 21st-century trade agreement with our Canadian and Mexican trading partners.

My name is Matt Blunt, President of AAPC—the American Automotive Policy Council—which represents the common public policy interests of our U.S. automakers: FCA US, Ford Motor Company, and General Motors Company, with an emphasis on international trade and economic policy interests of our member companies.

America's automakers are confident that—once approved by Congress—USMCA will not only help bring much needed predictability and help maintain the competitiveness of the U.S. auto industry, it will also serve as a blueprint for future U.S. trade agreements, allowing our automakers to thrive in the increasingly global auto market.

When negotiations with Canada and Mexico began, AAPC and its member companies had four priorities:

- (1) Maintain duty-free access to the Canadian and Mexican auto markets—two of the largest vehicle markets in the world;
- (2) Include provisions to address currency manipulation by our trading partners;
- (3) Ensure continued acceptance of U.S. auto safety standards in the region; and
- (4) Include a balanced and workable rules of origin for vehicles and parts in North America.

We firmly believe the negotiators achieved these priorities.

First, USMCA will preserve critical duty-free access to two of the largest vehicle markets in the world, where our companies have been incredibly successful. In Canada, our brands now account for about 40 percent of the 2 million vehicles sold. And in Mexico, American nameplates have secured 27 percent of the 1.4 million vehicle market—a market that is expected to steadily grow in the future.

We also commend U.S. negotiators for creating stronger but workable rules of origin for vehicles and parts in the region. The new rules raise NAFTA's current minimum content levels—which are the highest of any trade agreement in the world—from 62.5 percent to 75 percent—will require all automakers to make changes to their sourcing strategies, but we believe these changes are feasible and will benefit the U.S. auto industry and the millions of jobs they directly and indirectly support here at home. In fact, our member companies have already announced \$6 billion in new U.S. investments, which were driven in part by the new USMCA rule-of-origin requirements. We agree with the administration that the new rules of origin will strongly incentivize more investment in the United States, and more U.S. investment means more American jobs.

Ambassador Lighthizer and his team also successfully crafted and negotiated two ground-breaking provisions that will lock in the acceptance of vehicles built to U.S. safety standards, as well as provisions to prevent currency manipulation. These are the strongest such provisions ever included in a U.S. free trade agreement. Like the

administration, we believe these new provisions should be included in every future U.S. free trade agreement.

In short, American automakers have given their full support to USMCA because it will not only help the U.S. auto industry remain globally competitive, it brings certainty and stability, which in turn will encourage automakers—foreign and domestic—to invest and expand here in the United States.

The President's decision last month to lift the tariffs on steel and aluminum from Mexico and Canada was a crucial development for our automakers, as well as many lawmakers on both sides of the aisle. We also understand that conversations between Ambassador Lighthizer and members of the House working group on USMCA have been constructive. Given this momentum, we hope members of this committee—joined by your colleagues in the House and Senate—can work to help resolve any remaining issues, so that Congress can approve USMCA and allow it to fulfill its full potential for U.S. automakers and our Nation's economy as a whole.

Again, thank you for holding this important hearing and for the opportunity to testify. I would be happy to answer your questions.

QUESTIONS SUBMITTED FOR THE RECORD TO HON. MATT BLUNT

QUESTIONS SUBMITTED BY HON. CHUCK GRASSLEY

Question. The USMCA digital trade chapter will not only benefit traditional tech companies. It offers benefits for firms across sectors, like manufacturing, transportation and agriculture. Businesses of all sizes rely on the Internet to sell their products globally. Global business rely on the free flow of data to conduct business and communications, and make payments. Our modern economy requires modern rules.

Would you briefly describe how the digital trade provisions in the USMCA will benefit your industry more generally?

Answer. The increasing digitalization of many aspects of today's automotive industry makes the inclusion of a chapter on digital trade important. We expect that importance will only grow in the future as our industry increasingly relies on the free flow of data between the U.S. and its trade partners. This is particularly critical for the automotive industry during this era of rapid technological change and innovation (*i.e.*, electrification of the automobile and the development of automated vehicles), where the "Internet of things" is creating closer connections between previously independent parts of the auto business (research/development, manufacturing, supply chains, dealerships/service centers, consumers/drivers, etc.). The digital trade chapter will allow America's automakers to leverage the innovations they have developed and leadership they have in this area to make U.S. automakers more competitive throughout the North American region.

Question. In your June 26th op-ed in *The Detroit News*, you mentioned addressing currency manipulation as a key benefit to this new trade agreement. The USMCA includes the strongest ever provisions in a trade agreement on currency manipulation. The USMCA requires transparency in currency policies and addresses unfair currency practices.

How is addressing currency manipulation essential to your member companies maintaining competitiveness in the global autos market?

Answer. Currency exchange rates can be as important a determinant of trade outcomes as the quality of the traded good or service. Currency manipulation provides an unearned and unfair competitive trade advantage to the manipulating countries' export industries. In the past, America's automotive industry has been materially harmed in the U.S. auto market and in third-party auto markets by U.S. trade partners intervening in the foreign exchange markets to undervalue their currency vis-à-vis the U.S. dollar—thus providing an unfair competitive advantage for their auto industry's exports, while also decreasing the competitiveness of U.S. exports to the manipulating country's market and third party markets (*i.e.*, Middle East, Latin America, etc.).

Trade agreements that provide strong and enforceable measures to curtail and prevent currency manipulation by our trading partners will provide U.S. automakers with a more "level playing field" in our domestic market, as well as critical export markets around the world. That is why we have urged previous administra-

tions, as well as the Trump administration, to include enforceable currency disciplines in all new and renegotiated U.S. free trade agreements (FTAs).

We welcome the inclusion of a currency manipulation discipline in the USMCA—the first of its kind for a U.S. FTA. While Mexico and Canada do not have a history of currency manipulation, inclusion of this chapter in the USMCA establishes an important precedent for future U.S. FTAs. Moreover, while the USMCA currency manipulation provisions are adequate for Canada and Mexico, if a future trade agreement is negotiated with a country that has a history of manipulating its currency, American automakers would expect U.S. negotiators to require stronger currency manipulation disciplines with more robust enforcement mechanisms than those that were included in the USMCA.

QUESTIONS SUBMITTED BY HON. PATRICK J. TOOMEY

Question. I have been clear in my view that the President does not have the unilateral power to terminate NAFTA without the consent of Congress. As you know, article I, section 8 of the Constitution explicitly vests Congress with trade responsibilities, and there is no explicit language anywhere in U.S. statute that delegates to the executive the ability to unilaterally withdraw from trade agreements.

Do you believe that the President has the legal authority to unilaterally withdraw the United States from NAFTA?

Answer. We believe both the executive and legislative branches have important roles to play in establishing and administering U.S. trade policy, and we hope they can work together to avoid a withdrawal from NAFTA prior to the entry into force of the USMCA, which would have severe consequences for AACP members, the auto industry, auto workers and the U.S. economy. We therefore urge all parties to refrain from considering such a course of action.

Question. In your written testimonies provided to the committee, you cited a reduction in trade uncertainty as a benefit of the USMCA. For example, you stated (emphasis mine):

- Governor Blunt: USMCA “will not only help the U.S. auto industry remain globally competitive, *it brings certainty and stability*, which in turn will encourage automakers—foreign and domestic—to invest and expand here in the United States.”
- Mr. Collins: “While USMCA provides significant direct benefits to U.S. agriculture and other sectors relative to NAFTA, importantly, *it also reduces the likelihood that trade disputes will worsen and disrupt trading relationships.*”
- Mr. Vilsack: “This trade agreement will bring strong benefits to American agriculture exports, including the U.S. dairy industry, *by restoring certainty to U.S.-Mexico trade relations*, making needed improvements to U.S.-Canadian trade and upgrading trade rules to discourage nontariff barriers to trade.”

As you know, the International Trade Commission (ITC) in its required analysis of USMCA found that nearly all of the agreement’s modest benefits stem from a reduction in “policy uncertainty,” largely due to the inclusion of some modernizing rules. By removing this boost, however, the ITC found that USMCA would *reduce* real GDP by 0.12 percent—or \$22.6 billion—over 6 years. An additional study conducted by the International Monetary Fund (IMF) concluded that the “effects of the USMCA on real GDP are negligible.” A Canadian think tank, the C.D. Howe Institute, reached a similar conclusion: “The negative elements outweigh the positives and the CUSMA results in lower real GDP and welfare for all three parties, with Mexico being the hardest hit and the United States the least.”

In your view, what factors are currently generating trade policy uncertainty? How would the USMCA adequately address such factors? Please be specific.

Answer. The heavy capital investments inherent in motor vehicle manufacturing¹ coupled with the especially long lead times from concept to finished product (*i.e.*, 5–7 years), makes the automotive sector especially sensitive to changes in levels of certainty/uncertainty. Automakers need to make footprint and sourcing decisions several years in advance, and the establishment of clear rules for the future—including

¹The typical automobile assembly plant requires an investment of \$1–\$2 billion.

for automotive technologies that were not contemplated in NAFTA—will help bring certainty to that process.

From a trade policy perspective, we are supportive of congressional passage of the USMCA because we believe it will live up to its potential to reduce uncertainty in a number of auto-related areas, including rules of origin, and the commitment by Mexico to continue to accept U.S. auto standards (no such commitment on auto standards was included in the NAFTA). This in turn will boost investment in the North American auto sector and contribute to economic growth in the U.S. and in the economies of our North American trade partners.

Question. Does the inclusion of a “sunset” provision in the USMCA (article 34.7) increase or decrease *long-term* certainty about the continuance of the trading relationship between the United States, Mexico, and Canada?

Answer. Both NAFTA and USMCA allow for a 6-month notice of withdrawal, so both agreements create some level of uncertainty. While the USMCA also includes a more elaborate periodic review process, we hope that this provision will provide an opportunity to address issues that arise over time and might otherwise lead a party to consider withdrawal.

Moreover, we are confident that the long-term merits of the USMCA will be recognized by all three parties and that, once enacted, it will clearly demonstrate its contributions to the U.S. economy and U.S. economic competitiveness in the coming decades—making termination of the agreement through the “sunset” process highly unlikely.

Question. In your view, what should be the role of Congress in the “joint reviews” of USMCA conducted every 6 years, per USMCA’s “Review and Term Extension” (*i.e.*, sunset) provision? Should such a role be codified in U.S. law via USMCA’s implementing legislation?

Answer. We support a strong role for Congress in trade policy.

Question. Does the curtailment of the Investor-State Dispute Settlement (ISDS) mechanism in Mexico and its elimination in Canada increase or decrease certainty for American investors in those countries?

Answer. We see no expected impact on the U.S. automotive sector from the curtailment of the ISDS mechanism.

Question. As you know, the USMCA includes significantly more complex automotive rules of origin (ROO) compared with the current NAFTA. While NAFTA requires that passenger vehicles and light trucks must meet a regional value content (RVC) of 62.5 percent in order to qualify for tariff-free treatment, USMCA contains *seven* distinct auto ROO requirements: (1) 75 percent overall RVC, (2) 75 percent core parts requirement, (3) 70 percent principal parts requirement, (4) 65 percent complementary parts requirement, (5) 70 percent steel content, (6) 70 percent aluminum content, and (7) a new “labor value content” (LVC) standard requiring that 40–45 percent of the value of an auto is produced at a facility where the average production wage is at least \$16/hour.

Unsurprisingly, analyses of the USMCA have predicted that these onerous new requirements on auto production will result in higher costs of production for vehicles, decreased sales, and fewer choices for consumers. While the ITC estimated an increase in U.S. employment in segments of the auto industry due to assumptions surrounding “reshoring,” the ITC overall estimated a decrease of 1,600 full-time jobs in U.S. vehicle production over 6 years. The ITC also estimated a decline in U.S. vehicle consumption of approximately 140,000 vehicles.

USMCA’s new auto rules understandably raise concerns about offshoring of vehicle production. For example, instead of complying with the stringent new ROO, producers could shift all production outside of the U.S. to Mexico or other lower-wage countries, and pay the 2.5 percent MFN tariff when exporting to the United States. Do you agree that stricter auto rules could create a disincentive to produce vehicles in the United States in the long term?

Answer. Instead of creating a disincentive to produce vehicles here in the United States, we firmly believe the new automotive rules of origin (ROO) will provide an incentive for automakers and suppliers—foreign and domestic—to invest more within the North American region, strengthening the U.S. auto industry and our economy in general.

We believe the new USMCA auto ROO strikes the right balance by discouraging excessive use of foreign content in vehicles produced in North America, while allowing those companies that have made significant investments in the region to qualify for the agreement's duty-free benefits. While the new rules will present some near-term challenges for our industry, we believe the administration included sufficient phase-in provisions that will help our automakers remain competitive while they successfully transition to the new, more stringent rules of origin included in the new agreement. Consequently, all three of AAPC's member companies have indicated they intend to comply with the new rule of origin for North American-built vehicles.

In addition, while a 2.5-percent tariff may seem insignificant, in a highly competitive U.S. marketplace it can make the difference between being commercially viable or not. Many of the passenger vehicles that would be subject to this 2.5-percent tariff are smaller passenger cars, and since the profit margin on a small car is already very narrow, a 2.5-percent tariff—combined with shipping costs—can have a significant impact on whether an automaker chooses to import a model from outside North America.

Additionally, the rules of origin only apply to vehicles shipped between USMCA partners. Because vehicles built in the U.S. and sold in the U.S. would not be subject to these requirements, there is the potential that some companies could choose to assemble in the U.S. rather than comply with the new ROO.

Question. As you know, in his prepared testimony before the committee, Mr. Wessel argued, "it is hard to understand why major automotive firms would support the USMCA if it imposed any significant new costs on them or forced them to alter their production plans. [. . .] If they are not complaining, this should give us all pause." What is your response to Mr. Wessel's assertion?

Answer. The zero-sum view that if the agreement is good for America's automakers, it must be bad for the auto workers or for the United States as a whole is outdated. We view the agreement as a win-win-win for automakers, auto workers, and the U.S. economy as a whole.

As indicated in our testimony, AAPC and its member companies acknowledge that USMCA—particularly the new auto ROO—will require all automakers to make changes to their internal processes, sourcing strategies and related production plans. However, we believe the short-term costs associated with these changes are outweighed by the benefits over the long-term that the USMCA auto ROO will provide the American auto industry and the U.S. economy. These include the commitment by Mexico to continue to accept U.S. auto standards, as well as the other updates made to the USMCA compared to NAFTA.

As such, we strongly support passage of the USMCA as soon as possible.

SUBMITTED BY HON. SHERROD BROWN, A U.S. SENATOR FROM OHIO

United States Senate

WASHINGTON, DC 20510-3505
June 16, 2014

SHERROD BROWN
Ohio

Richard J. Kramer
President and CEO
Goodyear Tire and Rubber Co.
200 Innovation Way
Akron, OH 44316-0001

Dear Mr. Kramer:

Given your plans to build a state-of-the-art tire factory in the Americas, I strongly urge you to give full consideration to locating this facility in your hometown of Akron or elsewhere in Ohio.

Selecting Ohio would be another step in your company's continued investment in our great State. Your decision last year to invest in your Akron-based Global Headquarters was a proud development for all of us. I ask that you fully consider adding

to that commitment and bolstering your proud legacy as Goodyear Tire and Rubber Company of Akron, OH.

Our State is a leader in automotive manufacturing, with one in every six cars produced in the United States being made in Ohio. Ohio is a day's drive to 60 percent of the U.S. population and possesses workers who know how to manufacture components in the entire automobile supply chain. It is home to over 800,000 auto-related jobs, a robust supplier base, and assembly plants for Chrysler, Ford, GM, and Honda. In addition, Ohio's skilled workforce and infrastructure are second to none. Ford Motor Company's recent decision to invest \$500 million in one of its Ohio-based plants is a testament to the quality of Ohio's workers.

If Goodyear locates the new plant in our State, the company will have direct access to a highly skilled workforce, quality infrastructure, and world-class educational institutions. I urge you to continue Goodyear's proud tradition in our State and locate the new tire factory in Ohio.

Sincerely,
 Sherrod Brown
 United States Senator

Congress of the United States

WASHINGTON, DC 20515
 July 29, 2019

Richard J. Kramer
 Chairman of the Board, Chief Executive Officer, and President
 The Goodyear Tire and Rubber Company
 200 Innovation Way
 Akron, Ohio 44316

Dear Mr. Kramer:

We are members of Congress serving various constituencies across the United States and on various committees in the House of Representatives. Last month, Speaker Nancy Pelosi appointed us to serve also on the House Democratic Working Group to engage with Ambassador Lighthizer to secure improvements to the renegotiated North American Free Trade Agreement (the new NAFTA or USMCA) that will bring broad, bipartisan support for passage of the bill. The Working Group's mandate is to focus on four key areas for improvement: the worker protections, environment provisions, provisions affecting affordable access to medicines, and enforcement of the entire agreement.

As part of the Working Group's efforts to meaningfully improve the deal, Ways and Means Trade Subcommittee Chairman Blumenauer led a congressional delegation on a visit to Mexico earlier this month. To inform our negotiations with the administration, it is important for us to see labor conditions on the ground in Mexico and hear directly from Mexican workers, especially in manufacturing sectors that have seen the highest level of outsourcing from the United States. As we have seen under 25 years of the NAFTA, if Mexico's workers do not have rights, good wages, or acceptable working conditions, American workers' rights, wages, and working conditions suffer too.

Goodyear is an iconic American company. In 2015, Goodyear announced a \$500-million investment to build a tire plant in Mexico, expected to manufacture 6 million tires a year. At the time of this announcement, it was stated that this plant would serve the Mexican and Brazilian markets as well as some overflow into the United States that the company could not supply from its domestic operations. The San Luis Potosi plant opened in 2017.

Before opening or hiring a single line worker, Goodyear had already signed a contract with a non-democratic "protection" union. Less than 6 months after starting its operations, conditions were so poor that workers at the plant went on a wildcat strike demanding a democratic union, higher wages, and improved conditions. Wages for the most junior workers at the plant amount to less than \$2 per hour while the highest paid production workers make just over \$6 per hour. (By contrast, the base rate for most workers under the USW Goodyear contract in the United States is \$23 per hour. Note that thus far in 2019, Goodyear has announced and made layoffs in Danville, VA and Gadsden, AL.)

The wildcat strike in April 2018 grew to include almost 600 of the 800 workers in the plant, over a period of 25 hours. Management agreed to address the workers' demands and the head of human resources promised that the company would not take reprisals. Two months later, however, the company systematically fired a total of 57 workers who had participated in the strike. A number of these workers refused the company's offer of severance pay and are maintaining legal demands for reinstatement.

In planning the delegation's visit, Chairman Blumenauer requested a tour of Goodyear's manufacturing plant in San Luis Potosi. Goodyear did not grant Chairman Blumenauer's request for a plant tour, offering an offsite meeting with executives instead.

While we were not able to see conditions inside the Goodyear San Luis Potosi plant for ourselves, we met with several of the workers who were fired after striking. The workers provided compelling testimony about the poor working conditions, lack of protective gear and safety and overall training provided to workers, non-reporting of hazards, deductions that are taken from already low wages, and discrimination and harassment (directed at women workers especially) at the Goodyear facility.

We are disappointed that Goodyear was unwilling to accommodate our request for a plant tour and that the security team also rejected our in-person request during our visit to San Luis Potosi on Saturday, July 20th. We are also disappointed that an iconic American company like Goodyear, which is shedding jobs at home in America while building new facilities in Mexico, is failing to provide its workers in Mexico with basic labor rights that are recognized internationally and under Mexican law.

What is happening at Goodyear highlights the deeply ingrained problems with Mexico's labor market. Workers are routinely mistreated and paid wages that are shockingly low, in light of Mexico's wealth relative to other Latin American countries where average workers' wages are actually higher.

Mexico is currently in the midst of implementing new and ambitious labor justice reforms that are intended to enable its workers to realize democratic association and bargaining rights. In the meantime, the U.S. Congress is preparing to consider approval for a new NAFTA deal. Current Mexican law already requires that basic rights be provided to workers. What is going on at Goodyear in San Luis Potosi undermines our confidence and hope in the promise of the reforms. While we are told that Mexico's labor reforms and a renewed NAFTA will lead to positive change in Mexico and in America, what we saw at Goodyear clearly illustrates the entrenched way of doing business in Mexico that is based on exploiting a powerless workforce.

We will of course continue to explore ways to support Mexico's implementation of its labor reform and to improve the USMCA's worker provisions. However, companies operating in Mexico—especially American companies like Goodyear—must do their part to change the practices of the past. Without corporate commitment to reform labor conditions and practices in Mexico, the new NAFTA will be stymied by many of the same problems as the old NAFTA. Corporate accountability must drastically improve, or we could be right back here, renegotiating NAFTA again in the near future.

Accordingly, with our important responsibilities as part of the Speaker's Working Group in mind, we ask that Goodyear provide a formal response to the allegations made by former Goodyear workers regarding poor working conditions, inadequate wages, illegal termination, and discrimination at the San Luis Potosi plant. We further request that you inform us what percentage of the tire production coming out of San Luis Potosi is being exported to the U.S. and what effect this will have on existing U.S. operations. We request your responses to this letter and our questions within two weeks.

Sincerely,

Earl Blumenauer
Member of Congress
Terri A. Sewell
Member of Congress

Rosa DeLauro
Member of Congress
Jimmy Gomez
Member of Congress

Cc:

The Honorable Robert E. Lighthizer

U.S. Trade Representative
600 17th Street, NW
Washington, DC 20508

PREPARED STATEMENT OF JAMES C. COLLINS, JR.,
CHIEF EXECUTIVE OFFICER, CORTEVA AGRISCIENCE

Chairman Grassley, Ranking Member Wyden, and members of the Finance Committee, thank you for giving me the opportunity to testify today on the importance of USMCA to the agriculture economy. My name is Jim Collins, and I am CEO of Corteva Agriscience.

First, I would like to congratulate Chairman Grassley on his recent Washington International Trade Association "American Leadership Award"; the award is well-deserved for your leadership in fighting for international trade throughout your time in Congress.

As you may know, Corteva Agriscience became an independent public company on June 1st. Formed from the Agriculture Division of DowDuPont, Corteva is the only remaining and largest U.S. based, publicly traded, pure-play company, solely dedicated to agriculture. I am honored to share the views of our 20,000 Corteva employees and our more than 400,000 customers—the American farmers. They are our partners and their success is our success.

While our company is new, we come from a legacy of more than 200 years of agriculture. Corteva combines the strengths of DuPont Pioneer, DuPont Crop Protection and Dow AgroSciences—and centuries of scientific innovation. Corteva provides the latest in seed, crop protection solutions and digital technology to farmers. Corteva's heritage has informed our commitment to enrich the lives of those who produce and those who consume, ensuring progress for generations to come.

I personally began working in agriculture about 35 years ago. I'm proud to work in an industry that is so productive, it not only feeds our own country, but hundreds of millions of people around the world. We strengthen global food security while supporting economic development and job creation in rural America.

With this in mind, I'm here today to address the critical need to pass the United States-Mexico-Canada Agreement to support employment and economic growth in farming communities across the United States. USMCA features disciplines critical to Corteva: not only preserved market access, but protection of biotechnology innovation and intellectual property and enhanced sanitary/phytosanitary standards.

We salute the administration in its modernization of NAFTA, obviously necessary after 25 years. Millions of American jobs depend on trade with Canada and Mexico, by far the largest export markets for the United States. According to a 2019 Business Roundtable study, international trade supports 39 million jobs across America, 12 million of those jobs from trade with Mexico and Canada.

The NAFTA agreement was signed into law in 1993. Since then, U.S. trade with Mexico has increased fivefold in nominal terms, while trade with the rest of the world has only tripled. Corn exports increased sevenfold, with Mexico the top buyer of U.S. corn. Three-way trade quadrupled, creating a powerful engine for economic growth. Rather than offshoring to Asia, critical supply chains have been able to remain in North America, enhancing our Nation's ability to compete.

The required U.S. International Trade Commission analysis indicates the market access provisions of USMCA would increase total U.S. agricultural and food exports by \$435 million. And when all provisions of USMCA are considered, the impact could be more than \$2 billion. This difference comes primarily from the certainty created by USMCA. Markets abhor uncertainty. While USMCA provides significant direct benefits to U.S. agriculture and other sectors relative to NAFTA, importantly, it also reduces the likelihood that trade disputes will worsen and disrupt trading relationships.

Corteva supports USMCA as a tool to stabilize markets, further expand and modernize North American trade and increase grower and consumer access to innovation. We believe promoting open trade is crucial, especially as agriculture is in a time of transition and increased demands. Our customers feel intense pressures from weather, pests, unprotected intellectual property, and the need to grow global food supplies for a surging middle class in emerging markets. Yet, we are living and working in a time of great opportunity. As we discuss USMCA today, I'd like to

focus on three reasons why USMCA is so important. First, for farmers, second for U.S. agrosience, and third for protecting our future.

Let me begin by sharing USMCA's impact on farmers, because they are the reason Corteva exists today.

Farmers have relied on an integrated North American market for more than 25 years and have flourished under enhanced access to the Canadian and Mexican markets. NAFTA boosted U.S. agricultural exports to North America by 350 percent over the life of this agreement. Canada and Mexico buy nearly \$45 billion in agricultural products annually from the United States, making them our first and second largest agricultural export markets, respectively.

In all of our conversations with farmers, they stress trade as one of the key elements needed for their success. I just attended a meeting of the American Farm Bureau Federation, and I heard this message loud and clear. Corteva's deep understanding of American agriculture comes from constant conversations with farmers and our partners and stakeholders all along the food value chain.

We are also talking to the National Corn Growers Association and the American Soybean Association that are actively working to ensure they have new markets to sell their products. No one understands the imperative around preserving robust export markets as much as farmers. In recent years, we've seen the impact that weather and markets have had on our agricultural producers. Some crops have hit new price lows, other crops languish in warehouses or silos due to ongoing global trade tensions. While I hear that farmers appreciate the aid packages, what they truly want are new markets and the free flow of trade.

In listening to our partners in rural America, we hear from farmers such as Andrew and Heidi Pulk in Wannaska, MN.

Andrew and Heidi are first-generation farmers. We absolutely need young farmers like the Pulks, as many of our farmers are nearing retirement.

The Pulks have an entrepreneurial spirit, like most farmers. When they began farming, they did what any good business owner does—they analyzed what they could best produce for the strongest market. They correctly saw an opportunity with soybeans in China and invested in the seeds, crop protection products and infrastructure needed to meet Chinese demand. However, because of the trade challenges between the U.S. and China—something completely beyond their control—the Pulks have been forced to search for new market opportunities. Our very own North American competitiveness zone was crucial to the Pulks continuing down their path as first-generation farmers. Last year, they sold their entire corn crop to buyers in Canada.

Passing USMCA will ensure that farmers like the Pulks can thrive with the certainty of North American market access and of fixed rules of the road in today's dynamic export-focused farm economy. That's good for all of us, as the Pulks represent the face of farming today and in the future.

Second, I will address the impact of USMCA on Corteva and U.S. agroindustry.

As you know, U.S. farmers navigate uncertainty every day. Will it rain? Will a new pest emerge? As the world's leading seed and crop protection solutions provider—and the only one headquartered in the U.S.—these are questions that keep Corteva and me personally up at night. We want to get ahead of these problems and ensure farmers' success.

Right now, rural communities need Washington to provide stability. USMCA passage can be a key building block in creating that stability during a challenging time for our customers. The American farmer wants to know where he or she can sell and what export markets want. That's why securing USMCA and other trade agreements, such as those under negotiation with China, Europe and Japan, must be a priority. As Chairman Grassley stated so well in June's hearing, "Japan and the EU haven't been sitting still. They've been closing trade deals with other countries over the last 2 years. As a result, our farmers and businesses are losing market share to competitors with preferential access. We need to secure strong agreements so we can restore a level playing field."

With a level playing field, Corteva has the ability to innovate and help U.S. agriculture become even stronger. Supporting farmers and agricultural markets benefits society as a whole. The farmer does not operate in isolation, but is the epicenter of an ecosystem, connected to countless communities, industries and businesses. At 12 percent, the food and agriculture industry is responsible for the largest segment

of U.S. manufacturing jobs. So it is clear—when farmers win, our Nation prospers and we all win.

Corteva not only fuels rural America, but also has many customers in Mexico and Canada. About half of Corteva's business is conducted within North America. We believe USMCA is a strong and advanced trade agreement that rebalances our trading relationships with Canada and Mexico in the context of the modern era.

The United States is the largest market for seed in the world and is also the largest seed exporter. Without competitive seed exports, the United States would lose \$1.7 billion in sales annually. Mexico and Canada are our two largest export markets and vital trading partners, representing \$600 million in annual exports.

Some of the most persistent barriers in agricultural trade are phytosanitary barriers, rather than tariffs. The gold standard regulatory and sanitary/phytosanitary disciplines of USMCA ensure that stakeholders have the opportunity to provide meaningful input into rulemaking processes in North America, as well as significant advanced notice before new rules go into effect to allow farmers to adjust accordingly.

Why are clear rules so important? Seed varieties can cross six international borders before being commercialized. This movement is critical to bring the highest-quality seed to producers and requires consistent phytosanitary regulations. For example, each truck of commodity grain seed is worth upward of \$50,000. If that truck is rejected at the U.S.-Mexico border because of surprise or inconsistent phytosanitary regulations, it costs the company \$3,000 in return shipping charges, in addition to the loss of income from the truck in question. Rejected and delayed shipments cause quality reductions and dissatisfied customers in not only present-day but future losses, counted in the millions of dollars.

Corteva's seed and crop protection products represent decades of in-house and collaborative research and development, meaning the intellectual property rights protection provided by USMCA for our innovations is crucial. By most accounts, these changes are estimated to increase U.S. trade. The Corteva scientific team is particularly excited about the biotechnology protections afforded by USMCA. We believe the United States should pursue similar biotechnology provisions in future trade agreements to continue to promote agricultural innovation.

To illustrate, plant breeders must use the most precise and efficient breeding methods available. Breeders specializing in vegetable seed breeding varieties want high-quality produce with innate resistance to devastating plant diseases. In just a few seasons, a disease can evolve and destroy a previously disease-resistant variety. Therefore, plant breeders must always stay one step ahead, developing new varieties faster than diseases can evolve. To be effective, plant breeders must work in a consistent and science-based policy environment such as that provided by USMCA. This supports investment and biotech breakthroughs, equipping farmers with the latest methods and techniques to safeguard human and animal health, secure our food supply, and protect the environment. Through USMCA, North America can be the world leader in biotechnology innovation as it binds our three countries under a common goal of innovation and respect for the conditions needed to bring the lab to the marketplace.

Lastly, I want to address how USMCA can support agriculture's future in America and beyond. While my testimony has largely focused on the United States, it is important to also acknowledge the future global implications of USMCA. Corteva is based here—in Iowa, Indiana and Delaware, but we have a global reach. Farmers also compete internationally. We need synchronicity in the rules featured in U.S. trade agreements, and we must expand the web of U.S. trade agreements globally to keep our industry moving forward.

We usually focus on the gains from tariff reductions and stable rules provided in free trade agreements. These are certainly easy to quantify, and I've tried to do that with you today. But we sometimes forget that the institutions and relationships created by trade agreements can help solve problems before they become intractable trade barriers or disputes.

Through the 25-plus years of NAFTA, North America became more integrated economically, but our governments also established broad and deep relationships among our officials. Sometimes a frank discussion between trusted interlocutors is worth its weight in gold. During the months of USMCA's negotiation, we saw the importance of that trust. We must not only pass USMCA to protect the North Amer-

ican competitiveness zone, but we must replicate this exercise going forward in our other pending trade negotiations.

I fully understand that fears linked to globalization and automation—with trade agreements as a scapegoat—can dominate the headlines, but we must have the courage to continue to open markets for American farmers and businesses.

Thank you again for the opportunity to address the committee and discuss the importance of swiftly passing USMCA for the benefit of American farmers, U.S. businesses such as Corteva, and the future of agriculture and trade. I want to express my gratitude for this committee's active engagement in supporting policies that promote farming, agriculture and trade. I will be pleased to answer questions you may have or supply additional information for the record.

QUESTIONS SUBMITTED FOR THE RECORD TO JAMES C. COLLINS, JR.

QUESTIONS SUBMITTED BY HON. CHUCK GRASSLEY

Question. The USMCA digital trade chapter will not only benefit traditional tech companies. It offers benefits for firms across sectors, like manufacturing, transportation and agriculture. Businesses of all sizes rely on the Internet to sell their products globally. Global businesses rely on the free flow of data to conduct business and communications, and make payments. Our modern economy requires modern rules.

Would you briefly describe how the digital trade provisions in the USMCA will benefit your business and your industry more generally?

Answer. About 60 percent of the U.S. jobs created by digital services exports are outside of the tech sector—increasingly including agriculture. Core to our new company is responding to farmer demands and equipping them with tools to predictably and efficiently bring their products to market. Farmers navigate uncertainty every day with conditions such as weather, pests and diseases. The more we can help introduce reliability into their days, the better. And the more we talk to farmers, the more we hear that digital, data-driven solutions are key to their future success. A modernized USMCA goes a long way in meeting this demand across the North American continent.

The USMCA reduces trade barriers and facilitates cross-border data flows that allow companies of all sizes and in all industries—including agriculture—to access digital services at affordable prices. This efficiency allows for companies such as Corteva to offer or create new data-driven services and products that can transform ideas into businesses. These benefits apply as much to U.S. farmers as they do to tech entrepreneurs.

We've only begun to tap into the potential of digital agriculture, but Corteva is already helping farmers oversee operations, maximize yield through data-driven crop modeling, and improve the predictive accuracy of these digital tools. The benefits of digital ag accrue at an increased rate over time, as modeling benefits from a greater quality and quantity of inputs. Farmers are already seeing results. The USMCA can be a leading-edge supporter of this new and dynamic sector by leveling the playing field for North American farmers and preserving the U.S.'s role as the world's leading agricultural innovator.

Question. The USMCA secures powerful enforcement of intellectual property rights and strong patent protection to help drive innovation and create economic growth. The agreement specifically increases data protection for agricultural chemicals from 5 to 10 years.

Why is data protection for agricultural chemicals important for a company like Corteva, and how will a longer duration of data protection benefit American farmers and consumers?

Answer. The average lead time between the first synthesis of a new crop protection chemical and its commercial launch has been steadily increasing. From 2010–2014, the lead time was about 11.3 years. Much of this increase in lead time can be attributed to greater complexity in the data requirements of regulatory agencies, as well as the time taken for regulatory agency review (Phillips McDougall, https://www.ecpa.eu/sites/default/files/R-and-D_report_2016_FINAL_revised_2016-04-13.pdf). The crop protection industry is highly competitive, and patent applications for new crop protection chemicals are typically filed shortly after the first synthesis. Since patents generally have a term of 20 years from filing, many new crop protec-

tion chemicals have less than half their effective patent life remaining at commercial launch.

Data protection provides additional differentiation for off-patent crop protection chemicals and protects the significant investment made by companies such as Corteva in conducting required toxicology and environmental testing during development of a new crop protection chemical. The USMCA's extension of data protection from 5 to 10 years propels companies such as Corteva toward bolder innovation and discovery of new crop protection chemicals to benefit American farmers and consumers. Longer data protection incentivizes environmentally favorable profiles and new modes of action that may require additional data characterization for regulatory agencies. By protecting the return on investment in innovation, data protection helps enable us to provide products and services to produce what our food system demands and to conserve resources and sustain the land.

QUESTION SUBMITTED BY HON. PAT ROBERTS

Question. Agriculture faces a number of non-tariff barriers to trade. I was very pleased to see that USMCA includes strong provisions as it relates to biotechnology and new technologies such as gene editing that encourage information sharing and cooperation.

How do these provisions impact not only our trading relationship with Canada and Mexico, but also future trade agreements with other countries?

Answer. As noted in my testimony, the USMCA's support of agricultural innovation is an extremely positive provision and will help create a pathway for plant breeders as well as all facets of our industry to keep pioneering for consumers who trust and rely on us for their food source. Biotechnology also attracts investment—which breeds new biotech breakthroughs—and equips farmers with the latest methods and techniques to help safeguard human and animal health, secure our food supply, and protect the environment.

Through the USMCA, North America can be the world leader in biotechnology innovation as it brings together our three countries under the common goal of innovation and respect for what it takes to bring the lab to the marketplace. From a global perspective, we see firsthand how multilateral agreements, such as USMCA, can help facilitate science-based international rules and standards that foster innovation. We need synchronicity based on science in our trade agreements, so farmers and consumers can realize the benefits of innovation and more sustainably grow our industry to meet the demands and challenges of the future. When even one trading country fails to follow science-based regulatory approval processes, it can impact production in all associated trading countries.

In our support for international trade in commodity grains, we advocate for harmonized, predictable, science-based regulatory polices around the world. Within the 195 countries in the world, trade and regulatory practices vary widely. Countries not following the principles outlined in the USMCA can operate regulatory systems that are unpredictable, non-science based, and intentionally politicized. These non-functional systems should not be permitted to effectively block access to innovation that would benefit growers and consumers.

QUESTIONS SUBMITTED BY HON. PATRICK J. TOOMEY

Question. I have been clear in my view that the President does not have the unilateral power to terminate NAFTA without the consent of Congress. As you know, article I, section 8 of the Constitution explicitly vests Congress with trade responsibilities, and there is no explicit language anywhere in U.S. statute that delegates to the executive the ability to unilaterally withdraw from trade agreements.

Do you believe that the President has the legal authority to unilaterally withdraw the United States from NAFTA?

Answer. The question you pose on withdrawal is exactly why I personally have confidence in the separation of powers between the three co-equal branches of the U.S. Government. From Corteva's perspective, swift passage of the USMCA, ideally without entertaining U.S. withdrawal from NAFTA, would help create certainty in North American agricultural investment and markets to the benefit of American farmers.

Question. In your written testimonies provided to the committee, you cited a reduction in trade uncertainty as a benefit of the USMCA. For example, you stated (emphasis mine):

- Governor Blunt: USMCA “will not only help the U.S. auto industry remain globally competitive, *it brings certainty and stability*, which in turn will encourage automakers—foreign and domestic—to invest and expand here in the United States.”
- Mr. Collins: “While USMCA provides significant direct benefits to U.S. agriculture and other sectors relative to NAFTA, importantly, *it also reduces the likelihood that trade disputes will worsen and disrupt trading relationships.*”
- Mr. Vilsack: “This trade agreement will bring strong benefits to American agriculture exports, including the U.S. dairy industry, *by restoring certainty to U.S.-Mexico trade relations*, making needed improvements to U.S.-Canadian trade and upgrading trade rules to discourage nontariff barriers to trade.”

As you know, the International Trade Commission (ITC) in its required analysis of USMCA found that nearly all of the agreement’s modest benefits stem from a reduction in “policy uncertainty,” largely due to the inclusion of some modernizing rules. By removing this boost, however, the ITC found that USMCA would *reduce* real GDP by 0.12 percent—or \$22.6 billion—over 6 years. An additional study conducted by the International Monetary Fund (IMF) concluded that the “effects of the USMCA on real GDP are negligible.” A Canadian think tank, the C.D. Howe Institute, reached a similar conclusion: “The negative elements outweigh the positives and the CUSMA results in lower real GDP and welfare for all three parties, with Mexico being the hardest hit and the United States the least.”

In your view, what factors are currently generating trade policy uncertainty? How would the USMCA adequately address such factors? Please be specific.

Does the inclusion of a “sunset” provision in the USMCA (article 34.7) increase or decrease *long-term* certainty about the continuance of the trading relationship between the United States, Mexico, and Canada?

In your view, what should be the role of Congress in the “joint reviews” of USMCA conducted every 6 years, per USMCA’s “Review and Term Extension” (*i.e.*, sunset) provision? Should such a role be codified in U.S. law via USMCA’s implementing legislation?

Does the curtailment of the Investor-State Dispute Settlement (ISDS) mechanism in Mexico and its elimination in Canada increase or decrease certainty for American investors in those countries?

Answer. As I stated in my testimony, Corteva supports the USMCA as a tool to help stabilize markets and to further expand and modernize North American trade. We believe that consistently promoting open trade in a manner that promotes innovation is crucial, especially as agriculture is in a time of transition and increased pressures—from weather, pests, unprotected innovations, and growing food demand.

I would highlight that the non-tariff barriers addressed in the USMCA are of equal importance to maintaining a mostly tariff-free North America. Of course, the modernization of NAFTA—while necessary—did introduce uncertainty into North America trading relationships. Canada and Mexico are typically the #1 and #2 export destinations for American farmers. This means immediate passage is critical. But it’s also important to have periodic check-ins on the agreement to guard against instability of North American trade and continue to foster innovation.

Regarding the curtailment of ISDS in the USMCA, I would hope and expect that cross-border agricultural investments would be protected and respected throughout North America, as Corteva has found to be the case.

QUESTION SUBMITTED BY HON. TODD YOUNG

Question. In your testimony, you described the importance of North American trade to a young farming family in Minnesota, the Pulks. Just last week, I met with a Hoosier farmer, Joe Steinkamp from Evansville, IN and heard a similar story. Joe farms corn and soybeans in southwestern Indiana. His farm is uniquely located on a peninsula along the Ohio River which allows him to easily barge his products down the Ohio River to the Mississippi. In prior years, Joe sold between a third and half of his soybeans to China. However, that market has been temporarily closed off to Hoosier farmers. As you indicated in your testimony, Joe—like the Pulks—

was required to search for new market opportunities and thanks to existing trade agreements with Mexico, Columbia, and Korea he has viable foreign markets to sell his goods to. Passing the USMCA will provide certainty to the Pulks, Steinkamps, and the entire Hoosier farming community.

Can you speak to the importance of trade certainty to American farmers, how it affects their purchasing and planting decisions months before they ever take their goods to market?

Answer. I am glad you had the opportunity to meet the Steinkamp family in Indiana. Joe Steinkamp is actually a customer of Corteva's Pioneer brand seed. The impact of the USMCA and other trade and innovation policies hits home when we meet the people who are directly impacted by these policies, or who suffer the consequences of our failure to get the USMCA and similar trade policies implemented.

It's important to keep in mind that, while farmers are producers and manufacturers of feed and food ingredients, they aren't operating assembly lines of widgets. They can't adjust their production plans in a day, a week or a month. To secure what they need for their operations, American farmers start making planting decisions for their next year's crops *at or before* harvesting their current year's crop. For example, they will decide this fall what and how much they will plant in April or May 2020. And their decisions rely on expected markets and demand for what they will harvest in fall 2020. This is a full 12 months after they made their initial plans and placed orders for input needs.

Once the seed goes in the ground in the spring, farmers' production plans are set for the year—there's no going back. They can't shift production mid-season to align with changing political trade winds. Therefore, if trade and innovation policy certainty doesn't exist, we have hard-working American farmers such as the Steinkamps and the Pulks who are left with semi-truck loads of grain with more limited markets. After investing significant dollars into the production of the grain—from labor, seed and crop protection inputs, machinery, land acquisition, taxes and other costs—they not only are unable to recoup their investment, but the bills and invoices for production needs come due regardless of whether growers find a market for their grain. If we expect American farmers to make investments and continually innovate to more sustainably feed the world, we owe it to them to provide a reliable market with trade and technology policy certainty. If we fail to do so, farmers will be faced with additional challenges that make it even more difficult to produce crops and remain profitable.

QUESTION SUBMITTED BY HON. SHELDON WHITEHOUSE

Question. I've recently heard from Rhode Island businesses concerned about the process for small companies applying for exclusions from increased tariffs. In July, I introduced the American Business Tariff Relief Act of 2019 (S. 2362), which would establish a process for U.S. businesses to request exclusions from increased tariffs under section 301 and section 232 prior to the imposition of new tariffs. Specifically, it would require the USTR or Department of Commerce to make a determination within 30 days and provide a rationale for any denials.

Have you heard about related concerns from small businesses?

Do you think it would be helpful to have a process in place to ensure that small businesses are not being overlooked when applying for tariff exclusions?

Answer. I have not personally heard complaints from small businesses but believe that it is critical that the exclusion processes being run by USTR and the Department of Commerce be as transparent and agile as possible for all companies. Corteva is making several exclusion requests to defend the interests of our agricultural customers and would hope that determinations could be made within 30 days as the Senator suggests.

PREPARED STATEMENT OF HON. CHUCK GRASSLEY,
A U.S. SENATOR FROM IOWA

Good morning, and welcome to our witnesses, who are with us today from a range of industries to tell us about the importance of the United States-Mexico-Canada Agreement, or the USMCA. We look forward to hearing from you about the signifi-

cance of USMCA to the American businesses—small and large—the workers, and the farmers that you represent. Thank you for being here.

Mexico and Canada are our country's most important trading partners. According to the United States International Trade Commission, in 2017, more than one-third of American merchandise exports went to Mexico and Canada. In that year, Mexico and Canada imported more than half a trillion dollars of American goods, plus more than \$91 billion of American services. For Iowa, our \$6.6 billion of exports to Mexico and Canada in 2017 supported 130,000 jobs.

The foundation of our strong trading relationship with Mexico and Canada has been the North American Free Trade Agreement, or NAFTA. The United States, Mexico, and Canada negotiated NAFTA from 1990 to 1993. At the time, NAFTA set a new standard for trade agreements; it helped Mexico reform into a market economy; and it enabled American businesses, workers, farmers, and ranchers to sell our goods and services in Mexico and Canada without tariffs and without many non-tariff barriers that, for decades, had burdened our ability to compete in those markets.

Of course, the U.S. economy and global trade have changed dramatically since 1993, and 25 years of experience with NAFTA have provided valuable lessons. The time for modernizing NAFTA has come, and USMCA does exactly that.

Across the board, USMCA sets a new standard for our trade agreements. For example, once enacted, USMCA will be the first U.S. free trade agreement with robust chapters dedicated to digital trade, anticorruption, good regulatory practices, and small and medium-sized enterprises.

USMCA will set new benchmarks in many other areas too, such as the free transfer of data across borders, strong rules on state-owned enterprises, North American content requirements for preferential treatment, food safety and biotechnology standards, Customs and trade facilitation, intellectual property rights protection and enforcement, labor, and environment.

The USMCA labor chapter squarely addresses worker rights in Mexico, and it already has resulted in an overhaul of Mexican labor law. The labor and environmental standards in USMCA are the most rigorous in any U.S. trade deal and, unlike with NAFTA, they are in the core of the agreement and fully enforceable.

USMCA also squarely addresses longstanding U.S. concerns in the Canadian market, such as Canadian policies on wheat grading, retail sales of wine, dairy supply management, and the distribution of U.S. television programming.

These are substantial improvements from NAFTA. They represent benefits and new opportunities for Iowans and for Americans across the board. According to the U.S. International Trade Commission, USMCA will increase real GDP by \$68.2 billion and create 176,000 new American jobs.

Now, that's not to say that every USMCA provision is perfect—trade agreements always need to balance the preferences of different industries, regions, elected leaders, and stakeholders. Some of my Democratic friends in the House of Representatives have centered their attention on USMCA outcomes they view as imperfect.

Surely nobody could consider NAFTA to be better than USMCA. And nobody, and let me emphasize this, *nobody* should dismiss the importance of a half-trillion-dollar market for U.S. exports.

I have spoken to Speaker Pelosi. I have supported the ongoing work of her members with Ambassador Lighthizer to clarify outstanding concerns and identify bipartisan solutions. I have an open mind to workable ideas and stand ready to consider possible improvements to USMCA.

For example, I support strong enforcement of all USMCA chapters, through a system that works reliably and has credibility with our trading partners. I am also pleased that the important USMCA provisions on prescription drugs will not require any changes to U.S. law, and I would be open to proposals that would confirm this point.

At the same time, every day that passes is another day that the benefits of USMCA go unrealized. Trying to reopen the whole of USMCA could risk unraveling the deal altogether, which would benefit nobody. I therefore urge House Democrats and Ambassador Lighthizer to focus on their specific concerns and to propose solutions in short order, so that we can pass USMCA. Doing so will provide much-

needed certainty to American workers, businesses, farmers, ranchers, and families, and will enhance the credibility of our ambitious global trade agenda.

PREPARED STATEMENT OF DEREK LEATHERS, PRESIDENT
AND CHIEF EXECUTIVE OFFICER, WERNER ENTERPRISES, INC.

INTRODUCTION

Chairman Grassley, Ranking Member Wyden, and members of the distinguished committee, thank you for the opportunity to testify today on behalf of the American Trucking Associations (ATA),¹ and discuss the importance of the United States-Mexico-Canada Agreement (USMCA). My name is Derek Leathers, and I am the President and Chief Executive Officer of Werner Enterprises, a premier transportation and logistics company headquartered in Omaha, NE.²

Werner is an active member of ATA, which is an 86-year-old federation and the largest national trade organization representing the trucking industry, with affiliates in all 50 States. ATA's membership encompasses over 34,000 motor carriers and suppliers both directly and through affiliated organizations. ATA represents every sector of the industry, from truckload to less-than-truckload, agriculture and livestock to auto haulers, and from the large motor carriers to the owner-operator and mom-and-pop one truck operations. Our federation has members in every congressional district.

Throughout my tenure at Werner, I have served in many different capacities, including the direct creation of Werner's Mexico cross-border operations and the launch of Werner Global Logistics. Today, Werner Global specializes in transportation management and freight movement within intermodal, ocean, air, and brokerage. Prior to joining Werner in 1999, I spent over 5 years in Mexico as the top executive of a U.S.-owned Mexican trucking company. I also served as one of the first foreign members of Mexico's trucking association, CANACAR. All told, I personally have more than 25 years of international transportation experience. During my time living and working in Mexico City, I saw first-hand how the North American Free Trade Agreement (NAFTA) directly benefited the trucking industry and the economies of all three countries. NAFTA resulted in the development of highly integrated and valuable supply chains spanning the United States, Canada, and Mexico. These integrated supply chains are what drive Werner's cross-border operations.

Werner has grown from a one-truck operation to a global logistics company employing approximately 13,000 combined associates and professional drivers worldwide. In the United States, Werner operates in all 48 contiguous States with 8,000 trucks on the road driving approximately 3.3 million miles each business day. Year after year, Werner continues to grow our business at home and internationally. As one of the top five U.S.-based motor carriers for shipments to and from Canada, Werner Canada had 8,600 cross-border movements in 2018 while providing transportation solutions throughout the 10 Canadian provinces with an office in Milton, Canada. On average about 325 to 350 of our U.S.-owned tractors go into Canada each month delivering and/or picking up cross-border loads.

This year, Werner is celebrating the 20-year anniversary of its Mexico-based operations. Throughout the last 20 years, Werner Mexico has continually expanded its dry van, temperature-controlled, intermodal, brokerage, and international transportation services and is the only U.S. carrier with a refrigerated cross-dock facility in Laredo, TX. Several of our customers use our services to haul protein such as beef, pork, and poultry from several points in Iowa to Mexico on our temperature-controlled, or reefer, trailers. Werner Mexico encompasses four offices in Mexico City, Querétaro, Monterrey, and Guadalajara; multiple border terminals and logistics centers; and a combined network of over 6,000 trucks operating in Mexico with approximately 70 partner carriers. Today, Werner is the largest U.S. truckload car-

¹ ATA is a united federation of motor carriers, State trucking associations, and national trucking conferences created to promote and protect the interests of the trucking industry. ATA, and its affiliated organizations, encompass over 34,000 motor carriers and suppliers of every type and class of operation.

² Werner Enterprises, Inc. was founded in 1956 and is among the five largest truckload carriers in the United States, with coverage throughout North America, Asia, Europe, South America, Africa, and Australia. Werner maintains its global headquarters in Omaha, NE and offices in the United States, Canada, Mexico, and China.

rier providing ground transportation services to and from Mexico, with over 154,000 cross-border movements in 2018.

Werner's operations in Mexico, Canada, and other foreign countries are subject to the risks of doing business internationally, including fluctuations in foreign currencies; difficulties in enforcing contractual obligations and intellectual property rights; burdens of complying with a wide variety of international export and import laws; and social, political, and economic instability. Additional risks associated with foreign operations, including restrictive trade policies and the imposition of duties, taxes, or government royalties by foreign governments, are present but largely mitigated by the terms of NAFTA for operations in Mexico and Canada.

NAFTA AND THE TRUCKING INDUSTRY

NAFTA has been a tremendous benefit to the trucking industry. When NAFTA was drafted over 25 years ago, the goal was to expand trade between the United States, Canada, and Mexico. NAFTA effectively removed trade barriers, increased business investment in the region, and helped North America become more competitive in the global marketplace.

The U.S. trucking industry has been, and will continue to be, the backbone of the North American trade economy. Trucking is the largest mode of NAFTA surface trade; nearly 76 percent of all cross-border freight tonnage is transported by truck, and even when trucks are not the primary mode of transportation, other modes often depend on trucks on the front end for pickup or on the backend for final delivery.³ Every single day, there are 33,000 total truck entries along our northern and southern borders hauling more than \$2 billion of goods.⁴ To put this in perspective, 12.2 million truck crossings moved approximately \$772 billion of goods across our Canadian and Mexican borders in 2018.⁵ Nearly everything we buy—from food to clothing to commodities, as well as domestically produced goods and imports—has been hauled by truck at least once before ultimately landing in the hands of the consumer. Ultimately, when the trucking industry is efficiently and effectively moving cross-border freight, our Nation's suppliers, shippers, retailers, and consumers reap the benefits, and the wheels of a robust economy keep moving.

USMCA IS A TIMELY AND NECESSARY UPDATE

NAFTA has been enormously beneficial to the trucking industry as truck entries from Canada and Mexico have increased 40 percent since 1996, leading to millions of additional loads for U.S.-based carriers.⁶ The USMCA is a timely and necessary update to the incumbent agreement. When NAFTA took effect on January 1, 1994, its terms were sufficient to govern a 20th-century trade environment. However, NAFTA was not drafted with the foresight to anticipate the monumental impact of technology on the modern trade environment. In 1994, the Internet was in its infancy and trade primarily occurred through the exchange of tangible goods and services or through direct investment. Similarly, 25 years ago, trade did not accommodate same-day shipping or 2-day delivery that is often expected today. Traffic volumes at ports of entry have changed dramatically since NAFTA took effect, as cross-border trade via truck has increased by 191 percent since 1995.⁷ It would defy logic to continue operating under the status quo. As technology becomes even more integrated into the supply chain, it is imperative that our North American trade framework follows suit. Simply put, a 21st-century trade environment necessitates a 21st-century trade agreement, and the USMCA is the best vehicle to modernize North American trade.

The USMCA is a comprehensive, state-of-the-art trade agreement that preserves and builds upon the current trilateral framework. The USMCA modernizes the rules for trade in North America with cutting-edge provisions on digital trade, agriculture, state-owned enterprises, labor, and the environment, among many others. Moreover, the intellectual property provisions in the USMCA are the most comprehensive of any multilateral United States trade agreement, and are vastly superior to those included in NAFTA. The merits of the USMCA are self-evident—it

³ *Trade Moves North America Forward* (2019); American Trucking Associations, https://www.trucking.org/ATA%20Docs/News%20and%20Information/Reports%20Trends%20and%20Statistics/ATA_NorthAmericanTrade2018.pdf.

⁴ *Ibid.*

⁵ *Ibid.*

⁶ Bureau of Transportation Statistics. U.S. Department of Transportation, <https://www.bts.gov/content/border-crossingentry-data>.

⁷ *Ibid.*

makes targeted improvements to NAFTA and is, undeniably, an improvement over the incumbent agreement. The U.S. International Trade Commission (USITC) concluded as much in its congressionally mandated report, “United States-Mexico-Canada Agreement: Likely Impact on the U.S. Economy and Specific Industry Sectors.”⁸ As required by the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, the USITC assessed the likely impact of the agreement on the U.S. economy as a whole, on specific industry sectors, and on the interests of U.S. consumers. The report concluded that, if fully implemented and enforced, the USMCA would have a positive impact on all broad industry sectors within the U.S. economy, raise U.S. real gross domestic product by \$68.2 billion, and increase U.S. employment by 176,000 jobs.⁹ When compared to NAFTA, it is clear that the USMCA is a significant and definitive step forward.

Trade with our northern and southern neighbors has created tens of thousands of jobs in the United States with motor carriers, and supports many thousands more with our suppliers and shippers, underscoring the benefits of free trade. The USMCA is not only a trade agreement—it is the foundation of our economic and broader relationship with our strongest allies that supports the livelihoods of the 90,000 people employed in the U.S. trucking industry, including nearly 60,000 U.S. truck drivers (full-time equivalent), from truck transported trade.¹⁰ To move freight to and from our northern and southern borders, U.S. trucking companies paid U.S.-based drivers more than \$3.25 billion in wages alone, not including benefits last year.¹¹ The average truck driver hauling freight makes \$55,000 per year, plus benefits like health insurance, a retirement plan (e.g., 401(k)), and paid time off.¹² A North America without a better trade agreement could have an adverse effect on the trucking industry, as trucks haul 84 percent of all surface trade with Mexico and 67 percent of all surface trade with Canada.¹³ Simply put—trade is crucial for the tens of thousands of blue-collar workers in the trucking industry, and ratification of the USMCA will provide occupational certainty to the dedicated men and women who drive the economy forward.

The United States, Mexico, and Canada have been transformed by tariff-free trade, generating highly integrated and valuable supply chains that support shared competitiveness in a global marketplace. Such integration has elevated the prominence of trucking, as the vitality of the U.S. economy depends on a dynamic trucking industry to deliver goods throughout the continental supply chain. Interconnected supply chains spanning all three countries means that goods are hauled across our borders multiple times during the manufacturing process, amplifying the importance of tariff-free trade with our closest neighbors and top two export partners. In 2017, *Bloomberg* traced the path of a single capacitor, a small component that stores electrical energy, to illustrate how “U.S. manufacturers rely on numerous border crossings and thousands of miles of travel to produce goods at the low cost and high quality that customers demand.”¹⁴

First, a supplier in Colorado imports the capacitor components from multiple producers in Asia. Then, the Colorado supplier ships the capacitor to a company in Michigan. From there, the product is transported to Ciudad Juárez, Mexico, where it is inserted into a circuit board. After, the circuit board is shipped back to the United States to a warehouse in El Paso, TX. The product is hauled across the border again to a factory in Matamoros, Mexico, where it is assembled into a seat actuator, a mechanical device that folds seats. Next, the seat actuator is shipped to, among other destinations, a seat-manufacturing plant in Arlington, TX and a plant in Mississauga, Ontario. Finally, the capacitor, which is embedded in the seat actuator, is transported to an auto assembly plant where it ultimately becomes a part

⁸ *U.S.-Mexico-Canada Trade Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors* (2019); United States International Trade Commission, <https://www.usitc.gov/publications/332/pub4889.pdf>.

⁹ *Ibid.*

¹⁰ *Trade Moves North America Forward* (2019); American Trucking Associations.

¹¹ *Ibid.*

¹² *ATA Driver Compensation Study* (2017); American Trucking Associations, <https://www.atabusinessolutions.com/ATA-Store/ProductDetails/productid/3852684>.

¹³ *Ibid.*

¹⁴ “One Tiny Widget’s Dizzying Journey Through the U.S., Mexico and Canada” (2017); *Bloomberg*, <https://www.bloomberg.com/graphics/2017-trump-protectionism-alters-supply-chain/>.

of a motor vehicle.¹⁵ From the beginning to the end of the supply chain, the capacitor crossed the U.S. border five times before it became a finalized product.

Trade involves a complex web of border crossings that are often invisible to consumers and benefit the U.S. motor carriers and their drivers. It is important to emphasize the critical role of the U.S. trucking industry, which operates diligently and proudly behind the scenes to transport goods throughout the supply chain and ultimately into the hands of the consumer. Again, the U.S. trucking industry has been, and will continue to be, the backbone of the North American trade economy—benefiting the tens-of-thousands of blue-collar workers in the industry.

If the United States neglects to modernize the current NAFTA framework, it could lead to more production overseas and irreparably decrease freight movement across North America. The USMCA's improved framework ensures that North America will remain the most competitive trading bloc in the world, and the region where companies from across the globe choose to invest and grow their businesses.

CUSTOMS ADMINISTRATION AND TRADE FACILITATION

Beyond the underlying economics, chapter 7 of the USMCA greatly benefits the trucking industry. Chapter 7, titled “Customs Administration and Trade Facilitation,” parallels the “Customs Procedures” chapter of NAFTA with several new provisions and modifications. The proliferation of technology in the trade environment has introduced numerous opportunities for businesses to increase competitiveness and streamline efficiencies, and chapter 7 addresses how these advances can also apply to Customs administration and trade facilitation.

Trucks engaged in cross-border freight transport regularly interface with three Customs authorities: U.S. Customs and Border Protection, the Canada Border Services Agency, and the Aduana de Mexico. Chapter 7 provides a framework for all three agencies to modernize customs procedures to facilitate better coordination. Particularly important to the trucking industry is the provision mandating the establishment of a single window system that enables electronic submissions of documentation required for importation. Chapter 7 also improves customs procedures related to advanced rulings, simplified entry, risk management, e-signatures, and self-certification of origin. Furthermore, the USMCA requires customs authorities to make available by electronic means all forms and documents required for importation and exportation; permit the electronic submission of customs declarations; allow the electronic payment of duties, taxes, and fees; and promote the use of electronic systems to facilitate communication with the trade community. The integration of technology across all trade processes will help to minimize costs, foster greater efficiency, and expedite border crossings upon arrival. This is critical for the trucking industry because delays at ports of entry can jeopardize the timely delivery of goods, which can have significant downstream effects on the rest of the supply chain.

Moreover, the efficiencies and cost savings generated by the integration of technology into customs administration is great for small businesses. Larger companies like Werner certainly appreciate the benefits of modernized customs processes, and smaller trucking companies are also acutely aware of how trade inefficiencies can cost both time and resources. Twentieth-century trade processes are, effectively, barriers to entry for smaller companies whose leaner profit margins cannot accommodate the extra costs. The terms of the USMCA will help to break down those trade barriers and pave the way for more small business involvement in North American trade.

CONCLUSION

When NAFTA took effect on January 1, 1994, it was an unprecedented and historic moment for the United States, Canada, and Mexico. NAFTA fundamentally reshaped North American economic relations, driving integration between all three countries' economies and promoting the development of continental supply chains. Over 2 decades later, NAFTA is a relic of the past. Technological advances have redefined the trade environment to such a degree that NAFTA is no longer sufficient to govern modern trade practices. At this juncture, Congress has a unique opportunity to elevate our North American trade policies into the present and usher in a new era characterized by increased innovation, more jobs in U.S. communities, and overall prosperity.

¹⁵ *Ibid.*

Thank you for the opportunity to testify today. The American Trucking Associations, Werner, and the broader trucking industry strongly urge your support for swift ratification of the USMCA and stand ready to assist the committee to make this goal a reality.

AMERICAN TRUCKING ASSOCIATIONS
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Arlington, VA 22203-4181
www.trucking.org

Chis Spear
President and Chief Executive Officer

July 17, 2019

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
Washington, DC 20510

Dear Speaker Pelosi, Majority Leader McConnell, and Minority Leaders McCarthy and Schumer:

The American Trucking Associations (ATA), the largest national trade association representing the interests of the trucking industry,¹ urges your support for the swift ratification of the U.S.-Mexico-Canada Agreement (USMCA). Nearly 25 years after the implementation of the North American Free Trade Agreement (NAFTA), it is time to modernize and update our trade policies with two of our most important allies and trading partners: Canada and Mexico. The USMCA is a comprehensive, 21st-century trade agreement that preserves and builds upon the current trilateral framework to solidify North America's role as the most competitive and successful trading bloc in the world. Ratification of the USMCA will provide occupational certainty to the nearly 90,000 Americans, including approximately 60,000 truck drivers, whose livelihoods depend on continuous cross-border freight movements between the U.S., Canada, and Mexico.

U.S. trade with Canada and Mexico has surged since the enactment of NAFTA.² Every day, there are 33,000 truck entries along our northern and southern borders hauling more than \$2 billion of goods. To put this in perspective, in 2018, 12.2 million truck crossings moved approximately \$772 billion of goods across our Canadian and Mexican borders.³ Given that Canada and Mexico are our number one and two export markets, respectively,⁴ the trucking industry supports ratification of the USMCA to both maintain market access and ensure the continuity of cross-border trucking operations. Ultimately, when the trucking industry is efficiently and effectively moving cross-border freight, our Nation's suppliers, shippers, retailers, and consumers reap the benefits, and the wheels of a robust economy keep moving.

The USMCA is also a timely, welcome, and necessary update to the incumbent agreement. NAFTA entered into force on January 1, 1994—long before the advent of e-commerce and digital trade. As technology inevitably becomes more integrated into the global supply chain, it is imperative that our North American trade framework follows suit. Simply, a 21st-century trade environment necessitates a 21st-

¹ATA is a united federation of motor carriers, State trucking associations, and national trucking conferences created to promote and protect the interests of the trucking industry. ATA, and its affiliated organizations, encompass over 34,000 motor carriers and suppliers of every type and class of operation.

²*Freight Facts and Figures* (2018); Bureau of Transportation Statistics, U.S. Department of Transportation.

³*Trade Moves North America Forward* (2019); American Trucking Associations, https://www.trucking.org/ATA%20Docs/News%20and%20Information/Reports%20Trends%20and%20Statistics/ATA_NorthAmericanTrade2018.pdf.

⁴*Top Trading Partners—March 2019: Year-to-Date Exports* (2019); United States Census Bureau, <https://www.census.gov/foreign-trade/statistics/highlights/toppartners.html#exports>.

century trade agreement, and the USMCA is the best vehicle to propel the U.S. trade economy into modernity.

Trade and trucking are interdependent, and the vitality of the U.S. economy depends on a dynamic trucking industry to deliver goods throughout the supply chain. If the United States neglects to modernize the current NAFTA framework, it could lead to more production overseas and irreparably reduce freight movement across the continent. Ratifying the USMCA will ensure that the U.S., Canada, and Mexico continue to benefit from an alliance that has promoted economic growth and innovation, and we look forward to working with Congress to make this a reality.

Sincerely,
Chris Spear
President and CEO
American Trucking Associations

cc: Members of the House Ways and Means and Senate Finance Committees

AMERICAN TRUCKING ASSOCIATIONS (ATA)

The Trucking Industry Urges Congress to Ratify the USMCA

While the North American Free Trade Agreement (NAFTA) has been great for the U.S. trucking industry, the United States-Mexico-Canada Agreement (USMCA) is a timely and necessary update to the now-antiquated 1994 trade agreement.

Since 1995, the value of goods traveling via truck across both the northern and southern borders jumped 191 percent and totaled over \$772 billion in 2018. This increase in trade has created or supported tens of thousands of trucking jobs in the United States.

The USMCA will help the trucking industry maintain market access and continuity of cross-border operations. Not only is it good for the industry, it's good for the economy.

Reasons Why the Trucking Industry Supports the United States-Mexico-Canada Agreement:

- (1) **The 21st-century trade environment warrants a 21st-century trade agreement**
 - **Modernizes** Customs procedures with regard to advanced rulings, simplified entry, risk management, single window, e-signatures, and self-certification of origin.
 - **Promotes** more North American trade, including more U.S. exports, which will benefit U.S. motor carriers.
 - **Fosters** more cooperation with Canada and Mexico regarding transportation, Customs, and cross-border operations.
 - **Creates** a better, more competitive North American economy.
- (2) **The continued success of the trucking industry depends on critical partnerships with our Mexican and Canadian neighbors**
 - The U.S. trucking industry generated **\$12.62 billion in revenue** from truck transported trade with Canada and Mexico in 2018.
 - The new agreement will **expand trade and stimulate industry employment** to support that trade. In 2018, U.S. motor carriers employed nearly 90,000 full-time equivalent workers to haul goods across our borders, including 59,600 U.S. truck drivers.
 - **Canada and Mexico purchase more U.S.-made goods than our next 10 trading partners combined.** We need open access to reach foreign customers in our two largest export markets—Canada and Mexico.



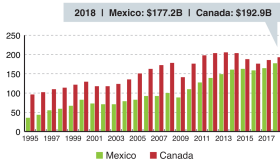
TRADE Moves North America Forward

DATA SHOWS THE U.S. TRUCKING INDUSTRY IS A LARGE BENEFICIARY OF NORTH AMERICAN TRADE

U.S. trade with Canada and Mexico has surged since the enactment of the North American Free Trade Agreement, according to data from the Bureau of Transportation Statistics.

Since 1995, the value of goods traveling via truck across both the northern and southern borders jumped 191% and totaled over \$772 billion in 2018. This increase in trade has created or supported tens of thousands of jobs in the United States, with motor carriers, suppliers and shippers, underscoring the benefits of free trade.


Value of U.S. Exports Transported by Truck
Billions of U.S. Dollars



BY THE NUMBERS:

- Total trade via truck has increased by **191%** since 1995, while U.S. exports grew **178%**.
- Last year, truck exports to Canada, as measured by the value of the goods, accounted for **55%** of total truck transported trade with the country.
- Since 1995, U.S. exports to Mexico via truck have grown an impressive **393%**.
- Last year, truck exports to Mexico, as measured by the value of the goods, accounted for **42%** of total truck transported trade across the southern border.
- The two largest commodities were electrical machinery and computer-related machinery, which combined to make up **44.2%** of trade going into Mexico via trucks.

U.S. TRADE WITH MEXICO




84%
Percentage of goods moved by trucks across the border by surface trade

\$424.0 billion
Value of merchandise moved by trucks in 2018
▲ **437% increase over 1995**

6.3 million
Number of truck entries across border to haul those goods in 2018

U.S. TRADE WITH CANADA



67%
Percentage of goods moved by trucks across the border by surface trade

\$348.3 billion
Value of merchandise moved by trucks in 2018
▲ **87% increase over 1995**

5.8 million
Number of truck entries across border to haul those goods in 2018

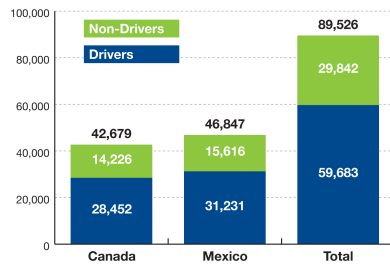
U.S. trade with Canada and Mexico is larger than the economy of Pennsylvania. To move all of that freight, in 2018 there were nearly 12.2 million truck entries combined on the Canadian and Mexican borders.

American Trucking Associations | www.trucking.org



TRADE Moves North America Forward

2018 U.S. TRUCKING EMPLOYMENT FROM TRUCK TRANSPORTED TRADE



- 89,526 employed in US Trucking industry from truck transported trade
- 46,847 of which from trade with Mexico
- 42,679 of which from trade with Canada
- U.S. trucking companies paid **\$3.28 billion** in wages, not including benefits, to U.S. drivers to haul freight to and from Canada and Mexico

2018 U.S. TRUCKING REVENUE FROM TRUCK TRANSPORTED TRADE (BILLIONS)



- \$12.62 billion in US Trucking revenue generated from truck transported trade with Canada and Mexico in 2018.
- \$6.63 billion in US Trucking revenue generated from trade with Mexico
- \$5.99 billion in US Trucking revenue generated from trade with Canada

Source: American Trucking Associations' Economics Department



MEXICO U.S. Trade by Truck



393%
Growth in U.S. exports by truck to Mexico since 1995

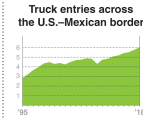


\$424.0
(Billion) Value of goods transported in 2018

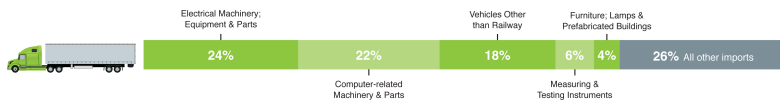
— representing —
437%
Growth in value of goods transported since 1995



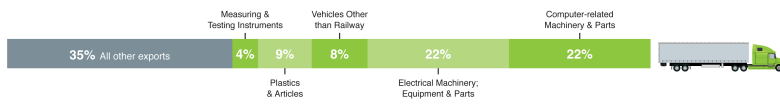
6.3 million
Truck entries across the U.S.-Mexican border



IMPORTS • Top 5 from Mexico



EXPORTS • Top 5 to Mexico



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CANADA U.S. Trade by Truck



98%
Growth in U.S. exports by truck to Canada since 1995

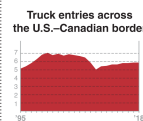


\$348.3
(Billion) Value of goods transported in 2018

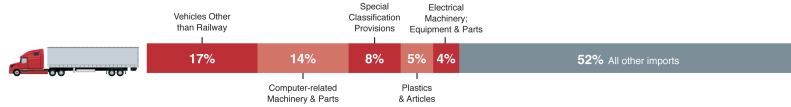
— representing —
87%
Growth in value of goods transported since 1995



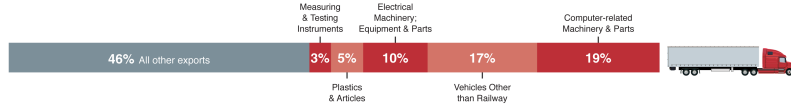
5.8 million
Truck entries across the U.S.-Canadian border



IMPORTS • Top 5 from Canada



EXPORTS • Top 5 to Canada



American Trucking Associations | www.trucking.org

QUESTIONS SUBMITTED FOR THE RECORD TO DEREK LEATHERS

QUESTIONS SUBMITTED BY HON. CHUCK GRASSLEY

Question. The USMCA digital trade chapter will not only benefit traditional tech companies. It offers benefits for firms across sectors, like manufacturing, transportation, and agriculture. Businesses of all sizes rely on the Internet to sell their products globally. Global business rely on the free flow of data to conduct business and communications, and make payments. Our modern economy requires modern rules.

Would you briefly describe how the digital trade provisions in the USMCA will benefit your business and your industry more generally?

Answer. With regard to digital trade, the USMCA promotes best-in-class rules to foster U.S. growth in the digital economy. While the trucking industry is not directly involved in the digital economy, we haul freight for U.S. firms of all sectors and sizes that are direct beneficiaries of these new digital trade provisions. When American businesses trading in digital goods and services are treated fairly in foreign markets and empowered to innovate and expand, the trucking industry is called upon to move their goods throughout the North American supply chain. The trucking industry provides the logistical support necessary to promote continued American innovation in the digital economy.

Question. Effective trade relies on smooth cross-border transactions and transportation. USMCA includes commitments to streamline the way goods are moved across the border through the elimination of burdensome paperwork requirements, by providing for the electronic submission of documents, and requiring use of advanced technology to expedite the process of releasing goods.

Can you share how companies like yours, and the broader trucking, transportation and logistics sectors in America will benefit from these types of customs facilitation commitments?

Answer. The USMCA commits the United States, Canada, and Mexico to address trade barriers, such as lack of Customs procedural transparency and overly burdensome documentation requirements, through increased utilization of technology. Like many other industries, the trucking industry is rapidly incorporating technology to streamline operations and reduce costs. As the trucking industry modernizes its operations and as technological innovation becomes more commonplace, the Customs authorities in the United States, Canada, and Mexico must similarly evolve to keep pace with the modern trade environment. The USMCA streamlines many facets of the Customs processes in all three countries, including advanced rulings, simplified entry, risk management, single window, e-signatures and self-certification of origin. Efficient Customs facilitation processes translate to reduced redundancies, more rapid transmissions of information, and enhanced coordination between the trade community and all three countries' Customs authorities. A 2019 Congressional Research Service report clearly articulates the importance of the USMCA's modernized Customs text: "Given the magnitude and frequency of U.S. trade with NAFTA partners, more updated Customs provisions in NAFTA could have a significant impact on companies engaged in trilateral trade."¹

QUESTIONS SUBMITTED BY HON. PATRICK J. TOOMEY

Question. I have been clear in my view that the President does not have the unilateral power to terminate NAFTA without the consent of Congress. As you know, article I, section 8 of the Constitution explicitly vests Congress with trade responsibilities, and there is no explicit language anywhere in U.S. statute that delegates to the executive the ability to unilaterally withdraw from trade agreements.

Do you believe that the President has the legal authority to unilaterally withdraw the United States from NAFTA?

Answer. My background in the transportation logistics industry affords me the experience to speak knowledgably about the benefits of NAFTA to Werner and the broader trucking industry, but my expertise does not extend to interpretation of the Constitution.

¹"NAFTA Renegotiation and the Proposed United States-Mexico-Canada Agreement (2019)"; Congressional Research Service, <https://crsreports.congress.gov/product/pdf/R/R44981>.

Question. In your testimony provided to the committee, you included data demonstrating the critical importance of the trucking industry in moving goods across U.S. borders with Mexico and Canada. For example, you included the statistic that \$424 billion worth of goods were moved by truck across the U.S.-Mexico border in 2018, amounting to 6.3 million individual truck entries across that border.

As you know, on May 30, 2019, President Trump announced that he would impose blanket 5-percent tariffs on all goods imported into the United States from Mexico if Mexico did not take adequate steps to address illegal immigration. While I was glad to see that the President ultimately did not impose these tariffs, it is concerning to contemplate the impact that such an action would have had on the trucking industry and the broader U.S. economy.

Please describe the impact that a 5-percent blanket tariff on all goods from Mexico would have had on truck entries across the U.S.-Mexico border.

Answer. Mexico is one of the top three largest trading partners for the United States and the number two U.S. export market. Trade with Mexico is predominantly facilitated via truck, as trucks haul 84 percent of all surface trade across the U.S.-Mexican border.² The imposition of a 5-percent blanket tariff on all goods from Mexico would certainly have an immediate impact on the trucking industry because NAFTA eliminated the need for complex Customs infrastructure to govern most trade between the United States and Mexico. Since the trade community has enjoyed tariff-free trade with our southern neighbor for nearly 25 years, there would be a steep adjustment curve for both American businesses and U.S. Customs and Border Protection to accommodate such a dramatic shift in trade policy. As a result, cross-border freight movements would likely slow down, at least initially, as the trade community adjusts its Customs operations to incorporate new requirements. Moreover, CBP would be obligated to develop new mechanisms of compliance for the importers and brokers who would be required to pay the tariffs. Additionally, this would require extensive communication with the trade community. Given that over 17,000 trucks cross the U.S.-Mexico border carrying about \$1 billion worth of goods every single day,³ delays at ports of entry are not only costly for the trucking industry, but also for the entire North American supply chain and consumers.

Question. Are you concerned that your industry could be negatively impacted in the future by such unilateral tariffs—which were unrelated to trade policy issues—even if the USMCA is ratified by Congress and enters into force?

Answer. Ratification of the USMCA would provide much-needed occupational certainty to the nearly 90,000 Americans employed in the U.S. trucking industry, including nearly 60,000 U.S. truck drivers (full-time equivalent), from truck-transported trade. As president and CEO of the largest U.S. truckload carrier providing ground transportation services to and from Mexico, I remain focused on the future ratification of this modernized trade agreement. Looking to future trade negotiations and their implications for the trucking industry, Werner will continue to provide exemplary service and seamless operations independent of trade policy or economic climate.

Question. In the USMCA's implementing legislation, should there be assurances made to Mexico and Canada, and codified into U.S. law, which would prevent the unilateral imposition of tariffs on them without the assent of Congress? How would such a provision benefit your industry?

Answer. Without question, trade certainty is essential to Werner and the broader trucking industry. As a result, the trucking industry supports measures that guarantee stability for the tens of thousands of blue-collar workers in our industry whose livelihoods depend on cross-border freight movements. Any significant changes that restricts trade between these countries would be detrimental to our cross-border business.

QUESTIONS SUBMITTED BY HON. CATHERINE CORTEZ MASTO

Question. The testimony highlighted a number of proposals under chapter 7 that you believe can help streamline the process for trucks crossing the border, specifi-

²*Trade Moves North America Forward* (2019); American Trucking Associations, https://www.trucking.org/ATA%20Docs/News%20and%20Information/Reports%20Trends%20and%20Statistics/ATA_NorthAmericanTrade2018.pdf.

³*Ibid.*

cally citing mandating a single-window system between each nations' Customs agencies, e-signatures, and self-certification of origin as examples of efficiencies in the USMCA that will help improve the flow of trade cross borders.

Please outline how implementing some of these processes can streamline transit for your company.

Does anything under NAFTA today prohibit the implementation of these processes? Are any of these processes currently in effect at any of the border crossings your trucks utilize today and if so, how does a new NAFTA do this any better?

Answer. While there are no provisions in NAFTA that explicitly prohibit the implementation of streamlined processes, NAFTA does not incentivize or require parties to pursue greater efficiencies either. Conversely, the USMCA requires all three parties to adopt or maintain simplified Customs procedures in order to facilitate trade between the parties. Chapter 7, "Customs Administration and Trade Facilitation," and chapter 4, "Rules of Origin," of the USMCA build on the foundation established by NAFTA with several important modernizations. The USMCA incorporates new elements from the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) and the Trans-Pacific Partnership (TPP) related to transparency and efficiency. NAFTA's chapter on Customs procedures includes provisions on certificates of origin, administration and enforcement, and Customs regulation and cooperation, and the USMCA brings these policies into the 21st century. Unlike NAFTA, the USMCA commits all three parties to adopt measures that complement existing obligations with a view to further facilitate trade.

First, in the USMCA, the United States, Mexico, and Canada affirm their rights and obligations under the WTO TFA, one of the newest international trade agreements in the WTO. No such commitment exists in NAFTA. Compared to the Customs and trade provisions in NAFTA, the TFA simplifies and streamlines Customs procedures to allow for the easier flow of goods across borders, thereby reducing the costs of trade. According to a 2019 Congressional Research Service report, "the TFA aims to address trade barriers, such as lack of Customs procedural transparency and overly burdensome documentation requirements."⁴

Second, the USMCA contains new procedures for certifying a good as "originating" that differ significantly from those currently in effect under NAFTA. Under NAFTA, Canada, Mexico, and the United States established a uniform Certificate of Origin that is utilized by all parties to certify that imported goods qualify for preferential tariff treatment. Conversely, the USMCA allows for more flexibility and does not mandate a prescribed format. Moreover, the USMCA follows the model set forth in TPP, and allows importers to complete a certification of origin, which can be transmitted on an invoice or any other document. This is a substantial departure from NAFTA, which requires a uniform Certificate of Origin that may only be signed by the exporter of the goods. The terms of the USMCA also require the United States, Canada, and Mexico to allow a certification of origin to be submitted electronically and signed with a digital signature. NAFTA did not include this obligation.

Third, the USMCA requires parties to employ technology across all trade processes to both increase efficiency and provide for greater transparency. This includes (1) making available online all forms/documents required for import and export; (2) permitting the electronic submission of Customs declarations; (3) permitting the electronic payment of duties, taxes, and fees; and (4) permitting an importer to correct multiple import declarations through a single form. Given that NAFTA was drafted in the 20th century, the outdated agreement does not contain mandates that require the United States, Canada, and Mexico to utilize technology to the degree that is required by the USMCA. The terms of the USMCA explicitly promote the use of online publication and information technology, which is evidence of the benefits of modernization in the trade realm.

Fourth, the "Release of Goods" article within chapter 7 of the USMCA requires parties to adopt procedures that provide for the "immediate release of goods upon receipt of the Customs declaration and fulfillment of all applicable requirements and procedures." By contrast, under TPP, the allotted time frame is 48 hours. Under the USMCA, parties must allow goods to be released at the point of arrival without requiring temporary transfer to warehouses or other facilities. Relatedly, all three parties must also allow the release of goods prior to a final determination and payment of any Customs duties, taxes, fees, and charges incurred in connection with the importation of the goods. These mandates are aimed at reducing the amount of time

⁴"NAFTA Renegotiation and the Proposed United States-Mexico-Canada Agreement" (2019).

that imported goods sit idly at ports or in warehouses, facilitating a smoother trading process, and incorporating technology to expedite the Customs process upon arrival.

Finally, the following articles in chapter 7 of the USMCA will certainly help streamline the process for trucks crossing the border and are not included in NAFTA:

Article 7.3, “Communication with Traders,” requires parties to “maintain a mechanism to regularly communicate with traders within its territory on its procedures related to the importation, exportation, and transit of goods,” so the trade community can proactively identify emerging issues. While NAFTA requires that parties, to the extent practicable, “provide interested persons and parties a reasonable opportunity to comment on such proposed measures,”⁵ the mechanism mandated by the USMCA provides for continuous, open channels of communication that are not limited to the consideration of a proposed measure.

Article 7.4, “Enquiry Points,” requires that parties “establish or maintain one or more enquiry points to respond to enquiries by interested persons concerning importation, exportation, and transit procedures.” NAFTA establishes enquiry points for issue-specific matters but not for general Customs matters.

Article 7.12, “Risk Management,” requires that parties maintain a risk management system to “focus inspection activities on high-risk goods” and simplify “the release and movement of low-risk goods.” This language is similar to provisions in TPP and TFA.

Article 7.18, “Penalties,” clarifies that “clerical or minor error[s] in a Customs transaction” do not constitute a breach of laws, regulations, or procedural requirements.

Article 7.21, “Customs Brokers,” prohibits parties from limiting the number of ports at which Customs brokers can operate. This article effectively levels the playing field between self-filers and Customs brokers and is similar to language in TFA.

PREPARED STATEMENT OF HON. THOMAS J. VILSACK, PRESIDENT AND CHIEF
EXECUTIVE OFFICER, U.S. DAIRY EXPORT COUNCIL

INTRODUCTION

Chairman Grassley, Ranking Member Wyden, and members of the committee, thank you for the opportunity to testify before you today. I am appearing before the committee on behalf of America’s dairy farmers and processors as President and CEO of the U.S. Dairy Export Council (USDEC).

USDEC is a non-profit, independent membership organization that represents the export trade interests of U.S. proprietary processors, milk producers, dairy cooperatives, and export traders. The Council’s mission is to increase the volume and value of U.S. dairy product exports.

TESTIMONY SUMMARY

Maintaining our trade relationships and expanding market access for U.S. agricultural goods is vital to the economic health of rural America. The new U.S.-Mexico-Canada Agreement (USMCA) will secure existing markets and open new opportunities by modernizing the 25-year-old North American Free Trade Agreement (NAFTA).

America’s farmers are asking Congress to act quickly to pass USMCA. This trade agreement will bring strong benefits to American agriculture exports, including the U.S. dairy industry, by restoring certainty to U.S.-Mexico trade relations, making needed improvements to U.S.-Canadian trade and upgrading trade rules to discourage nontariff barriers to trade. Among its benefits:

- Strengthens our trading relationship with Mexico by locking in existing zero tariff access to Mexico for agriculture exports. Mexico is by far our largest dairy export destination at \$1.4 billion in sales in 2018 and USMCA preserves our role as the market’s key supplier.
- Makes important advances in removing and reforming key trade-distorting Canadian dairy pricing policies—including classes 6 and 7—and in increasing

⁵Article 1802, “Publication,” North American Free Trade Agreement.

dairy export opportunities to Canada to provide much-needed access to a dairy market largely excluded from the current NAFTA framework.

- Strengthens safeguards regarding U.S. companies' rights to use common food names through new commitments in the intellectual property chapter and through two side letters with Mexico that aim to preserve market access for those products in that key market.
- Establishes strong sanitary and phytosanitary provisions focused on ensuring the highest scientific standards for food safety while discouraging unscientific barriers to safe food exports.
- Secures improvements for other agricultural sectors, including addressing Canadian nontariff barriers plaguing the U.S. wheat and wine industries, improving access to Canada for U.S. egg and poultry products, and forging new commitments on the safe use of agricultural biotechnology.

Furthermore, the passage of USMCA will send a clear message that the U.S. values robust, rules-based trade with our allies and will give the U.S. the momentum necessary to execute a productive trade agenda that delivers positive benefits for the American people.

It has been a difficult few years as dairy producers have found their livelihoods under threat from falling milk prices that reduced farm income while dairy processors have seen carefully cultivated foreign sales threatened or even dry up in key markets. America's dairy farmers and processors need some good news, and Congress has the power to deliver.

When USMCA comes up for a vote, American agriculture is asking that you stand up for rural America and swiftly ratify this trade agreement.

FREE TRADE CRITICAL TO THE RURAL ECONOMY

It's a common refrain: America's farmers feed the world. Every single day, our farmers and manufacturers supply markets across the globe with superior agriculture and food products.

According to the U.S. Department of Agriculture (USDA), the U.S. exported nearly \$140 billion in agricultural products in 2018, with the top markets for agricultural products being Canada and Mexico.¹ The success of these trading relationships is built upon the 25-year-old legacy of NAFTA.

NAFTA eliminated all Mexican tariffs on U.S. exports and eliminated nearly all tariffs on U.S. goods entering Canada, allowing trade with our North American neighbors to flourish. Canada and Mexico received more than 29 percent of all U.S. farm and food exports in 2018.

Nearly 1,000 food and agricultural groups, including USDEC, recently sent a letter to Senate and House leadership, illustrating the progress to trade made under NAFTA and the importance of cultivating a fair and robust trade relationship between the U.S., Canada, and Mexico through USMCA. We wrote:

Over the last 25 years, U.S. food and agricultural exports to Canada and Mexico have more than quadrupled under NAFTA—growing from \$9 billion in 1993 to nearly \$40 billion in 2018. NAFTA has significantly helped create a reliable, high-quality supply of food products for U.S. consumers, while supporting more than 900,000 American jobs in food and agriculture and related sectors of the economy.²

It is clear that agricultural exports have brought significant positive benefits for the U.S. economy that extend far beyond the farm. USDA's Economic Research Service estimates that every dollar in agricultural goods sent overseas in 2017 generated an additional \$1.30 in economic activity here at home. And every \$1 billion

¹"Agricultural Trade." (April 4, 2019). Retrieved from USDA Economic Research Service: <https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/agricultural-trade/>.

²"A Letter From U.S. Food and Agriculture Associations and Companies." (June 6, 2019). Retrieved from https://www.usdec.org/Documents/USMCA_Grassroots_Letter.pdf.

in agricultural exports supports 8,400 American jobs.³ Our trade relationships with Canada and Mexico alone support 330,000 jobs.⁴

America's dairy industry, in particular, is an economic force that employs nearly 1 million Americans, creates approximately \$38 billion in direct wages for workers, contributes more than \$64 billion in tax revenue and adds about \$620 billion to the U.S. economy.⁵

Trade has been essential to the health of the dairy industry. Our farmers and processors have established themselves as the world's preeminent suppliers of high-quality dairy products, exporting \$5.6 billion in dairy products in 2018 to customers around the world. U.S. dairy exports in 2018 were the equivalent of 10 million gallons of milk going overseas every day in the form of a wide variety of dairy products from cheese to ice cream to milk powder.

Thanks to the framework of NAFTA, Mexico is currently the largest export destination for U.S. dairy products, with America commanding 80 percent⁶ of the value of Mexico's import market and \$1.4 billion in sales in 2018. In 2018, the equivalent of 2.8 million gallons of milk crossed the border into Mexico every day—28 percent of what we export worldwide. For farmers, that means that the average dairy cow produces 2.7 pounds of milk daily that goes to the Mexican market. Mexico's importance to our farmer-owned cooperatives and to dairy processors also can't be overstated—for instance, U.S. exports to Mexico last year accounted for 49 percent of U.S. exports of milk powder and 28 percent of cheese. Those sales have benefited our industry but also our partners in Mexico, as we've worked closely with them over the past couple decades to build greater demand for dairy in Mexico—to the benefit of both our industries.

However, right now rural America is facing a crisis. The prolonged rural recession that has gripped the heartland has been exacerbated by trade disputes and uncertainty in the global marketplace. America's dairy industry has been among the hardest hit. Dairy farmers and processors have endured four years of depressed milk prices, jeopardizing family farms and businesses manufacturing high-quality Made-in-America products, and having a negative impact on the communities and economies that depend on these producers. In fact, the U.S. Department of Agriculture recently found that the U.S. lost an average of seven dairy farms every day in 2018.

I recently joined local farming and agriculture groups at roundtable discussions in my home State of Iowa where it quickly became clear that securing market access and restoring certainty to our trade relationships by passing USMCA is a top priority for America's farmers and the wider food and agriculture sector. Finalizing this trade agreement and demonstrating that America is a reliable supplier will be key to turning the tide for the rural economy.

America's agricultural and food communities are asking Congress to secure our trade relationship with Mexico, expand opportunities with Canada, and usher in the significant trading rules improvements USMCA makes for U.S. exports. Congress has an immediate opportunity to help support the future of farming by moving quickly to pass USMCA.

USMCA MODERNIZES NAFTA

While NAFTA helped set the stage for America to become the leading exporter of agricultural goods, USMCA makes important improvements that will modernize NAFTA and pay dividends to both the farming community and the economy as a whole.

According to the U.S. International Trade Commission's report on the likely impact of USMCA, full implementation of this trade agreement will increase annual U.S. agricultural and food exports by \$2.2 billion. Additionally, it will "likely have

³Persaud, S. (February 21, 2019). "Effects of Trade on the U.S. Economy." Retrieved from USDA Economic Research Service: <https://www.ers.usda.gov/data-products/agricultural-trade-multipliers/effects-of-trade-on-the-us-economy/>.

⁴"USMCA: Strengthening Ties With Our North American Neighbors." (2019). Retrieved from USDA Foreign Agricultural Service: https://www.fas.usda.gov/sites/default/files/2019-07/usmca-infographic-07162019_0.png.

⁵Retrieved from <https://medium.com/dairy-exports-mean-jobs/new-hope-for-a-new-trade-deal-with-mexico-and-canada-44565974b674>.

⁶Global Trade Atlas: Major Dairy Product Categories of SMP, WMP, Whey, Butterfat, Cheese, and Lactose.

a positive impact on all broad industry sectors within the U.S. economy,” raising the GDP by \$68.2 billion and increasing employment by 176,000 jobs.

The International Trade Commission stated that the dairy sector ultimately stands to gain more than \$314 million in expanded sales to Canada, Mexico and other global markets as a result of USMCA’s provisions.⁷ The U.S. dairy industry estimates that over the first 6 years of implementation, U.S. dairy farm revenue will increase by a total of an additional \$548 million.

USMCA will lift the cloud of uncertainty hanging over North American trade and adversely affecting U.S. farmers and exporters by safeguarding our valuable export market in Mexico and instituting improvements to trade with Canada.

Strengthens Trading Relationship With Mexico

Under USMCA, agricultural tariffs between the U.S. and Mexico will remain at zero. This is critical for the U.S. dairy industry, as Mexico is our number one export market. Furthermore, without a trade treaty in place, the dairy industry would be hard pressed to maintain and expand these sales, as our competitors in Europe are expected to implement a lucrative new trade arrangement with Mexico by next year. As noted below in the section on USMCA’s preservation of common food names, USMCA includes key new Mexico-specific commitments designed to further shore up our market access rights to that top dairy market.

Makes Important Advances in Dismantling Canada’s Dairy Trade Barriers

Only limited dairy market access to Canada is granted under NAFTA today. Adding insult to injury, Canada’s damaging trade practices have further limited U.S. export opportunities and thereby resulted in lost revenues and jobs for the U.S. dairy industry. While USMCA does not address the full range of Canada’s problematic tariff and nontariff policies, it makes very important advances, including opening up new export avenues, the elimination of classes 6 and 7 and additional reforms to Canada’s controversial dairy pricing system.

USMCA delivers additional export market access in Canada for U.S. dairy products across a diverse range of product categories. The access exceeds that secured previously by the U.S. in the Trans-Pacific Partnership context by virtue of being granted exclusively to U.S. suppliers. This expansion of access to the very tightly constrained Canadian market is very welcome and will create some new opportunities for the U.S. dairy industry in Canada’s trade-restrictive market.

In addition, USMCA eliminates Canada’s class 6 and 7 dairy pricing system 6 months after implementation and establishes new pricing structures for skim milk powder (SMP), milk protein concentrate (MPC), and infant formula. For the remaining products that were previously covered by classes 6 and 7, USMCA mandates that Canada reclassify them so that their associated milk class prices be established appropriately based on end use. The intent of this is clear: for instance, ultra-filtered milk that is used, in either liquid or dried form, in the production of cheddar cheese must be classified in milk class 38; similarly, this ingredient must be classified in milk class 2A if used in the production of yogurt.

USMCA also establishes annual export limits on Canadian exports of SMP, MPC, and infant formula, above which export surcharges are levied. The clear goal of this portion of the agreement is to constrain Canada’s ability to dump unlimited quantities of dairy products onto global markets. To carry out this commitment, Canada must ensure that these surcharges function as intended to discipline the export expansion of these product areas and that the export surcharge proceeds are not in turn redistributed to industry or otherwise offset by other support programs.

Finally, the agreement introduces robust transparency and consultation commitments with Canada on dairy. Given Canada’s entrenched track record of intentionally using policy tools to undermine trade commitments and refusing to provide all relevant information on its programs, these represent vital elements to ensuring the U.S. is able to fully realize the benefit of the pricing policy disciplines introduced by USMCA. The reforms USMCA makes to a number of Canada’s trade-distorting dairy policies and the expansion of market access it ushers in will create new opportunities for American farms and businesses.

As a result of these policies and others in the agreement, USMCA provisions will ultimately bolster U.S. sales to Canada, Mexico and other global markets by \$314.5 million according to the International Trade Commission.

⁷“U.S.-Mexico-Canada Trade Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors.” (2019). Washington, DC: United States International Trade Commission.

I would like to underscore to the committee that achieving this forecast and maximizing the ultimate impact of the USMCA agreement on U.S. dairy trade with Canada will depend on how it is implemented by Canada and enforced by the United States. Reaping the full benefit of the impactful provisions painstakingly secured by U.S. negotiators in USMCA will require proactive work with Canada in advance of their implementation of the agreement to ensure that revised policies fully comply with the letter and intent of their commitments under USMCA and vigilant enforcement efforts should Canadian policies deviate from USMCA's focus on uprooting the harmful and global trade distorting impacts of Canadian dairy policies.

Strengthens the Rights of Common Food Names Users

USMCA also includes multiple provisions aimed at tackling the misuse of geographical indications that erect barriers to U.S. exports of products that rely on common food names. As the EU continues to work to erect nontariff barriers to U.S. exports in various markets through its free trade agreements, these provisions are essential to preserving our North American access rights, particularly with Mexico given its agreement with the EU last year, and to establishing strong precedents upon which the U.S. should build in securing firm commitments upholding our market access rights with other trading partners. Below is an overview of those provisions:

Non-exhaustive List of Commonly Used Cheese Names.

A side letter to USMCA establishes a ground-breaking precedent by providing clear market access assurances on a non-exhaustive list of commonly produced products that Mexico may not restrict moving forward, including terms such as mozzarella, cheddar, havarti, swiss, and others. As our European competitors are likely to continue to seek to chip away at our rights to use these terms, active monitoring and enforcement by the U.S. of this clear prohibition on any restriction on the use of these terms will remain vital as USMCA is implemented.

U.S.-Mexico Side Letter on Prior Users of GIs.

Another valuable commitment secured in USMCA is a second side letter with Mexico clarifying that "prior users" granted grandfathering rights under the 2018 EU-Mexico trade agreement includes all elements of the supply chain, namely producers, distributors, marketers, importers and exporters. This letter maximizes the ability of U.S. companies to continue to export their products to this important market and of Mexican companies to maintain wider supply source options.

Government-to-Government Consultations on GIs.

USMCA includes an important new commitment specifying that the Committee on Intellectual Property Rights shall "endeavor to reach a mutually agreeable solution before taking measures in connection with future requests of recognition or protection of a geographical indication from any other country through a trade agreement." This requirement for government to government consultations and the directive to work to arrive at solutions of mutual interest to the parties is a much-needed and very welcome addition to the administration's ability to defend the interests of U.S. stakeholders against the predatory efforts of non-parties to use trade treaties to erect barriers to trade in common product categories under the guise of GI protections.

Due Process Disciplines for Geographical Indications.

The intellectual property chapter of USMCA establishes a critical framework for beginning to introduce more transparency and due process procedures to the area of GI consideration and should help to mitigate against the inappropriate future registration of unwarranted GIs, including by providing those opposing a GI with greater tools to object to a term's restriction. This would avoid future scenarios like that in the Canada EU FTA in which Canada simply acquiesced to a long list of GIs proposed by the EU without any public notice or input.

As noted above, careful monitoring of USMCA commitments will be essential to prevent registration of GIs or trademarks for GI products that restrict the use of commonly used terms in a manner that is contrary to either the letter or spirit of the agreement's provisions.

Looking ahead, USMCA contains numerous positive elements that collectively establish a basic structure on the topic of GIs and common food names upon which the U.S. can and should build further in trade discussions with other countries as

well. To assist with this process, I encourage the Senate Finance Committee to hold a hearing examining the global challenge posed by the EU's geographical indications policies and arrangements to U.S. food and agriculture exports relying on common food names.

Establishes Strong Sanitary and Phytosanitary Provisions

USMCA establishes modern, science-based sanitary and phytosanitary standards to ground regulations in ways that should help prevent nontariff barriers to trade. The International Trade Commission's report on USMCA noted the economic benefit of improved sanitary and phytosanitary provisions in USMCA:

Transparency, harmonization, and cooperation in SPS measures have been shown to facilitate trade in the long run by lowering cost and risk. Multiple forms of regulatory coherence, including through trade agreements, can boost both trade and investment by supporting global value chains. In particular, trade agreements that include SPS cooperation and transparency have been shown to reduce trade costs.⁸

Secures Improvements for Other Agricultural Sectors

USMCA will bring sizable benefits for other agricultural sectors as well, most notably by ending discriminatory pricing for wheat exports to Canada, removing nontariff barriers to U.S. wine exports to Canada and increasing Canadian market access for egg and poultry products.

USMCA's changes to Canada's current grain grading system will help improve the fairness of wheat trade between the U.S. and Canada. While U.S. wheat exports to Canada under NAFTA are automatically designated as the lowest grade wheat, USMCA will enable certain U.S. varieties registered in Canada to be afforded reciprocal treatment.

For the poultry industry, USMCA requires Canada to provide new access for U.S. chicken and eggs by establishing a U.S.-specific duty-free tariff-rate quota on chicken meat and eggs in addition to Canada's existing World Trade Organization commitments. According to the North American Meat Institute, "Model results indicate that U.S. poultry meat exports to Canada would increase by \$183.5 million, or nearly 50 percent, in year 6 of the agreement."⁹

Additionally, USMCA secures increased access for turkey, resulting in a 29-percent increase in U.S. turkey exports to Canada, according to estimates from the National Turkey Federation.¹⁰

Lastly, USMCA eliminates discriminatory trade practices that have hindered U.S. wine exports. With Canada being the number one export market for U.S. wine, reaching \$1.53 billion in winery revenues in 2017, increasing market access in Canada will be a major boon for U.S. farmers and producers.¹¹

LOOKING FORWARD

Our trade negotiators should be commended for their tireless work on behalf of America's farmers and ranchers. America's agricultural economy relies on a predictable, transparent and rules-based system of international trade to provide certainty and opportunities to grow. A swift ratification of USMCA will signal to the rest of the world that the U.S. values our free trade relationships and we are open for business.

Beyond USMCA, America is engaged in trade negotiations with countries that represent high potential markets—namely Japan and the United Kingdom. The results of those agreements will directly affect the future of dairy farmers, dairy manufacturers, and rural communities from coast to coast. Passage of USMCA will allow trade negotiators to work effectively on other issues of paramount importance to the U.S. dairy industry, such as resolving differences with China that have led to harmful retaliatory tariffs, swiftly forging a strong agreement with Japan that improves

⁸"U.S.-Mexico-Canada Trade Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors." (2019). Washington, DC: United States International Trade Commission.

⁹"ITC Releases Report on USMCA." (April 23, 2019). Retrieved from North American Meat Institute: <https://www.meatinstitute.org/ht/d/ArticleDetails/i/155617>.

¹⁰"NTF Statement on U.S.-Mexico-Canada Agreement." (October 2, 2018). Retrieved from National Turkey Federation: <https://www.eatturkey.org/2018/10/02/ntf-statement-on-u-s-mexico-canada-agreement/>.

¹¹"Wine Institute Applauds Market Access Gains Made in U.S.-Mexico-Canada Agreement (USMCA)." (October 1, 2018). Retrieved from Wine Institute: <https://www.wineinstitute.org/resources/pressroom/10012018>.

upon the trade treaties it shares with other nations, forging a strong free trade agreement with the U.K. should its Brexit terms allow a negotiation with the U.S. to proceed, addressing our lopsided dairy trade deficit with Europe, and pursuing beneficial new trade treaties with dairy-deficit partners such as those in Southeast Asia.

However, we must tackle the most pressing item first: America's current trade agenda begins with passage of USMCA. When USMCA comes up for a vote, U.S. agriculture is asking that you act quickly to ratify this trade agreement.

Once again, thank you for the opportunity to testify before this committee, and for your leadership on these vital issues for rural America.

QUESTIONS SUBMITTED FOR THE RECORD TO HON. THOMAS J. VILSACK

QUESTIONS SUBMITTED BY HON. CHUCK GRASSLEY

Question. The USMCA digital trade chapter will not only benefit traditional tech companies. It offers benefits for firms across sectors, like manufacturing, transportation and agriculture. Businesses of all sizes rely on the Internet to sell their products globally. Global business rely on the free flow of data to conduct business and communications, and make payments. Our modern economy requires modern rules.

Answer. Would you briefly describe how the digital trade provisions in the USMCA will benefit your industry generally?

Answer. We are not aware of implications of the digital trade chapter for dairy.

Question. Iowa is a State with a very efficient agriculture industry that is coupled with the best soils and climate conditions in the world for growing crops. As you know, States like ours produce far more food than we could possibly consume.

Could you tell us why it is so important for farmers to have access to foreign markets and how agreements like the USMCA impact long-term investment decisions in rural America?

Answer. Trade has been essential to the health of American agriculture broadly and to the dairy industry. Our dairy farmers and processors have established themselves as the world's preeminent suppliers of high-quality dairy products, exporting \$5.6 billion in dairy products in 2018 to customers around the world. U.S. dairy exports in 2018 were the equivalent of 10 million gallons of milk going overseas every day in the form of a wide variety of dairy products from cheese to ice cream to milk powder.

To continue to remain competitive and expand, however, the U.S. dairy industry needs to see the pursuit of high-quality trade treaties with net dairy-importing nations such as those in Southeast Asia and other key markets for U.S. agricultural products around the world. USMCA is the first step in that process.

What is true for dairy is true for farmers and ranchers more generally. America's farmers feed the world. Every single day, our farmers and manufacturers supply markets across the globe with superior agriculture and food products. According to the U.S. Department of Agriculture (USDA), the U.S. exported nearly \$140 billion in agricultural products in 2018, with the top markets for agricultural products being Canada and Mexico.

However, right now rural America is facing a crisis. The prolonged rural recession that has gripped the heartland has been exacerbated by trade disputes and uncertainty in the global marketplace. Maintaining our trade relationships and expanding market access for U.S. agricultural goods is vital to restoring the economic health of rural America. USMCA will secure existing markets and open new opportunities by modernizing the 25-year-old North American Free Trade Agreement (NAFTA), and it is therefore essential that Congress pass USMCA as soon as possible. Doing so will help to restore certainty to our critically important trade relationships with Canada and Mexico and set the stage for further market opening efforts in other markets. That certainty and the prospect for further export growth will have a positive impact on long-term investment decisions in rural America and will be key to turning the tide for the rural economy.

QUESTIONS SUBMITTED BY HON. PAT ROBERTS

Question. Market access for dairy in Canada has long been an issue for U.S. producers. Positive steps were taken during TPP negotiations to begin to open protected dairy markets with countries including Canada. Soon after, Canada developed and implemented the class 6 and 7 pricing system that further distorted trade for dairy products.

The USMCA agreement importantly eliminates the class 6 and 7 pricing system and establishes a new pricing structure.

How can we ensure the components of this agreement are strongly implemented and enforced, and that our producers maintain the ability to compete both in Canada, and around the world?

Answer. Although there many aspects of U.S.-Canada dairy trade that remain problematic and must be addressed in the future, reaping the full benefit of the impactful provisions painstakingly secured by U.S. negotiators in USMCA will represent a great step forward. Proper implementation of the USMCA provisions by Canada will require proactive work by the U.S. with Canada to ensure that revised policies fully comply with the letter and intent of their commitments under USMCA and vigilant enforcement efforts should Canadian policies deviate from USMCA's focus on uprooting the harmful and global trade distorting impacts of Canadian dairy policies.

In addition, USMCA introduces robust transparency and consultation commitments with Canada on dairy. Given Canada's entrenched track record of intentionally using policy tools to undermine trade commitments and refusing to provide all relevant information on its programs, these represent vital elements to ensuring the U.S. is able to fully realize the benefit of the pricing policy disciplines introduced by USMCA.

In particular, it will be necessary to use USMCA's transparency and consultation provisions to closely monitor several areas of critical importance to Canada's USMCA implementation:

- **Canada's implementation of export surcharges** on skim milk powder, milk protein concentrate, and infant formula. The surcharges must be designed in a manner that will be effective in discouraging exports above the volumes specified in USMCA. In addition, the proceeds from the surcharges must not be redistributed to the Canadian dairy industry;
- **The reclassification of products post class 6/7** based on end use must be appropriately carried out in keeping with the intent of the agreement. That intent is to ensure that pricing for input products (*e.g.*, ultrafiltered milk) is determined based on the pricing of the product in which it will be used (*e.g.*, cheddar cheese, classified in milk class 3B; or yogurt, classified in milk class 2A, etc.);
- Canada's **tariff-rate-quota (TRQ) administration** practices must not discourage full utilization of the market access quantities provided to U.S. producers. In addition, it will be important to ensure that the end-use restrictions on certain TRQs do not unduly thwart the ability of U.S. exporters to fully fill the established TRQs;
- **Market access** granted by Canada under USMCA must be provided *in addition* to that already extended under earlier agreements and programs, including Canada's WTO commitments and Canada's existing levels of dairy imports under its Duties Relief Program and Import for Re-export Program. Canada must not cut back the existing scope or volume of dairy products that may be imported under these programs as it implements new USMCA market access;
- Canada must fully adhere to the **transparency and consultation requirements** in USMCA, and the U.S. must monitor and take action based on the resulting data to the full extent possible, to ensure Canada's compliance with both the letter and the spirit of USMCA dairy disciplines. The consistent use of these USMCA tools will be critically important given Canada's track record of intentionally using policy tools to undermine trade commitments.

Question. I hear from dairy processors that there is real urgency to passing USMCA as Canada continues to dump skim milk powder (SMP) on the world market, which has the effect of depressing global SMP prices.

Please describe how USMCA resolves this dumping of SMP and share how Canada's SMP activities have hurt the U.S. dairy industry.

Answer. Canada's SMP activities were used to suppress global SMP prices and reduce export opportunities for the U.S. dairy industry. USMCA will help to resolve Canada's dumping of SMP and guard against future resurgences of inappropriate Canadian exports by eliminating Canada's class 6 and 7 dairy pricing system 6 months after implementation and establishing new pricing structures for skim milk powder (SMP) as well as certain other dairy products. In addition, USMCA establishes an export surcharge on skim milk powder intended to discourage exports above volumes specified in USMCA. In order to ensure this surcharge operates as was clearly intended under USMCA, the proceeds from the surcharges must not be redistributed to the Canadian dairy industry.

QUESTIONS SUBMITTED BY HON. PATRICK J. TOOMEY

Question. I have been clear in my view that the President does not have the unilateral power to terminate NAFTA without the consent of Congress. As you know, article I, section 8 of the Constitution explicitly vests Congress with trade responsibilities, and there is no explicit language anywhere in U.S. statute that delegates to the executive the ability to unilaterally withdraw from trade agreements.

Do you believe that the President has the legal authority to unilaterally withdraw the United States from NAFTA?

Answer. The U.S. Dairy Export Council is opposed to any unilateral withdraw from our trade treaties. USDEC urges this administration, as well as future ones, to preserve our existing trade agreements and negotiate new ones. And—most immediately—for Congress to pass USMCA as soon as possible in order to place our trading relationships with Canada and Mexico on a firm, long-term footing, rendering moot many of the difficult questions that have arisen in connection with the NAFTA debate such as that pertaining to withdrawal.

Question. In your written testimonies provided to the committee, you all cited a reduction in trade uncertainty as a benefit of the USMCA. For example, you stated (emphasis mine):

- Governor Blunt: USMCA “will not only help the U.S. auto industry remain globally competitive, *it brings certainty and stability*, which in turn will encourage automakers—foreign and domestic—to invest and expand here in the United States.”
- Mr. Collins: “While USMCA provides significant direct benefits to U.S. agriculture and other sectors relative to NAFTA, importantly, *it also reduces the likelihood that trade disputes will worsen and disrupt trading relationships.*”
- Mr. Vilsack: “This trade agreement will bring strong benefits to American agriculture exports, including the U.S. dairy industry, *by restoring certainty to U.S.-Mexico trade relations*, making needed improvements to U.S.-Canadian trade and upgrading trade rules to discourage nontariff barriers to trade.”

As you know, the International Trade Commission (ITC) in its required analysis of USMCA found that nearly all of the agreement's modest benefits stem from a reduction in “policy uncertainty,” largely due to the inclusion of some modernizing rules. By removing this boost, however, the ITC found that USMCA would *reduce* real GDP by 0.12 percent—or \$22.6 billion—over 6 years. An additional study conducted by the International Monetary Fund (IMF) concluded that the “effects of the USMCA on real GDP are negligible.” A Canadian think tank, the C.D. Howe Institute, reached a similar conclusion: “The negative elements outweigh the positives and the CUSMA results in lower real GDP and welfare for all three parties, with Mexico being the hardest hit and the United States the least.”

In your view, what factors are currently generating trade policy uncertainty? How would the USMCA adequately address such factors? Please be specific.

Does the inclusion of a “sunset” provision in the USMCA (article 34.7) increase or decrease *long-term* certainty about the continuance of the trading relationship between the United States, Mexico, and Canada?

In your view, what should be the role of Congress in the “joint reviews” of USMCA conducted every 6 years, per USMCA's “Review and Term Extension” (*i.e.*, sunset) provision? Should such a role be codified in U.S. law via USMCA's implementing legislation?

Does the curtailment of the Investor-State Dispute Settlement (ISDS) mechanism in Mexico and its elimination in Canada increase or decrease certainty for American investors in those countries?

Answer. USMCA will provide new opportunities for U.S. dairy and restore certainty to North American trade relations. The negotiations to modernize NAFTA necessarily involved uncertainty as to their outcome, and completion of the negotiations offers the prospect of removing this uncertainty, should Congress act soon to approve USMCA. In addition, retaliatory tariffs directly created tremendous upheaval for U.S. dairy exporters by upending the dependability of U.S. pricing and competitiveness; as USMCA has advanced those issues have now also been settled. USDEC is hopeful that all implementation mechanisms (U.S., as well as those of our trading partners) for USMCA will help to ensure full compliance with the letter and spirit of agreement commitments, in particular Canada's commitments on market access and dairy pricing. We urge Congress to work with the administration to monitor Canada's implementation of its commitments closely and to use agreement enforcement tools aggressively should Canada's implementation fall short.

The sunset provision in USMCA will help to ensure that each party to the agreement takes its commitments seriously through the regular review of the functioning of the agreement. Congress should have a key role to play in this review process, working closely with the administration to evaluate on an ongoing basis both the benefits of the agreement to the U.S. economy and each of our trading partners' degree of compliance with their commitments under it.

The U.S. dairy industry has not utilized ISDS provisions to date nor is this a provision we believe is likely to be a key element of the agreement for us moving forward. Our sector primarily produces our products here in the U.S. for export to Mexico, and to a lesser extent to Canada. What cross-border investment exists is in dairy is more prevalent by way of our NAFTA partners' firms' investments in U.S. dairy processing capacity, rather than U.S. firms outsourcing their dairy processing to Mexico or Canada through the establishment of plants in those countries.

PREPARED STATEMENT OF MICHAEL WESSEL, STAFF CHAIR, LABOR ADVISORY COMMITTEE FOR TRADE NEGOTIATIONS AND TRADE POLICY; AND PRESIDENT, THE WESSEL GROUP

Mr. Chairman, Ranking Member Wyden, members of the committee, it is an honor to appear before you today as you evaluate the impact of the existing North American Free Trade Agreement and seek to assess the U.S.-Mexico-Canada Trade Agreement (USMCA) and evaluate what changes and additional provisions are needed.

My name is Michael Wessel, and I am appearing today on behalf of organized labor. For many years I have been a staff liaison for the United Steelworkers union to the Labor Advisory Committee (LAC), one of the statutory advisory committees to the USTR and Secretary of Labor and currently serve as the staff chair of that committee because the president of the Steelworkers is the current LAC chair. I have been a cleared advisor aware of, and participating in, discussions regarding the negotiations of the USMCA, its possible ratification and implementation.

In addition, I appear before you today with a good bit of experience on this issue: I served on the staff of former Democratic Leader Richard Gephardt for more than 2 decades, having left as general counsel in 1998. During my tenure with Mr. Gephardt, I was intimately involved in the negotiations and review of the original NAFTA agreement.

So that I don't bury the lead: organized labor wants NAFTA fixed. We have worked throughout the negotiations, in what we believe is a constructive, good-faith effort to find solutions, not just lodge complaints. During the negotiations, a group of labor leaders met on three separate occasions with the President to discuss the issue. We remain committed to working with Congress and the administration to ensure that we reach a compromise that advances the interests of working people. We want to reform the existing agreement. We remain optimistic about the ability to resolve the issues. But we will not hesitate to oppose an agreement that fails to improve NAFTA and the current trade template in meaningful ways.

Much work remains: the current USMCA is not good enough because it does not include sufficient improvements to ensure that the terms of trade in North America will change, key among them the lack of swift and certain enforcement mechanisms

to replace the current broken system in which labor complaints languish for years and labor abuses by our trading partners go unaddressed, seemingly condoned by Republican and Democratic administrations alike.

The negative impact of the existing North American Free Trade Agreement cannot be overstated. The inevitable negative outcomes were baked into its structure, which included an extensive set of rules establishing rights for multinational corporations, while providing no effective protections for workers, communities, and the environment. This imbalance has had a fundamental and corrosive impact on production, employment and wages in the U.S. As projected by many of NAFTA's opponents more than a quarter-century ago, it has led to outsourcing of production and wage suppression in the U.S. Very few sectors have been immune to its impact. Even public-sector workers—emergency responders, teachers and others—have faced the negative impact of NAFTA as they have had to deal with diminished resources from tax bases eroded by plant closures, stagnating wages, and lost jobs. Service-sector workers have been adversely affected as well. For example, there are now nearly 700,000 workers in the Business Process Outsourcing (BPO) sector in Mexico, many serving the U.S. market, directly costing jobs for customer service call center representatives in the U.S.¹ Similarly, workers in the arts and entertainment fields have been harmed by NAFTA's failure to adequately protect the copyrighted works they help create.

Manufacturing companies in the U.S. continue to outsource production and jobs to Mexico. The auto sector now represents the largest contributor to the U.S.-Mexico trade deficit, fueled by U.S. auto assembly and parts manufacturers that have closed or cut operations in the U.S. and relocated them to Mexico. This has gotten much worse over the last decade. Between 2005 and 2016, the U.S. lost 10 light vehicle final assembly facilities while Mexico gained eight and its share of total NAFTA production increased from 8 percent to 19 percent. Auto production in Mexico is now 3.2 million cars and light trucks with nearly 80 percent of Mexico's exports coming to the U.S.

Mexico's automotive workforce has grown from 112,000 in 1994 to 767,000 in 2016. Ninety-three percent of that growth is in the manufacture of parts. As vehicle assembly leaves the U.S. the parts jobs generally follow.²

The overwhelming majority of these Mexican workers are covered by so-called "protection contracts" which dramatically limit wages and compensation and deny them a fair opportunity to form unions to fight for safer workplaces, higher wages, and improved benefits. The fabled Mexican middle class that NAFTA proponents argued would be a substantial new market for U.S. goods never materialized because Mexico's labor and economic policies and practices impeded its growth. Mexican manufacturing compensation today is one-tenth of U.S. compensation.³ Instead of a thriving economy, with millions of potential customers for "Made in USA" goods and services, Mexico has become more unequal, drawing production from the U.S. and Canada, but failing to fairly reward Mexican workers.

This doesn't even account for the devastating impact of recent announcements, like General Motor's decision to shutter its Lordstown, Ohio facility while increasing employment in its Mexican operations.

U.S. workers in other industries have also seen their jobs outsourced to Mexico. Since NAFTA was implemented, over 40,000 aerospace jobs have been created in Mexico—many of them could have remained in the U.S.

Environmental concerns continue. As far back as 1991, documented evidence exists as to Mexico's lax laws and environmental enforcement acting as a draw for U.S. companies to relocate, to lower their costs—despite the environmental degradation and human impact that would result. In 1991, GAO documented the movement of furniture firms from Los Angeles to Mexico because of, in part, higher environmental standards here in the U.S.⁴ And, as GAO indicated in 2009, the labor and

¹Nearshore Americas, Infographic: How Competitive Is the BPO Sector in Mexico? September 10, 2018, <https://www.nearshoreamericas.com/infographic-bpo-sector-in-mexico/>.

²Testimony of Josh Nassar, "Trade and Labor: Creating and Enforcing Rules to Benefit American Workers," before the House Ways and Means Subcommittee on Trade, March 26, 2018.

³The Conference Board, International Comparisons of Hourly Compensation Costs in Manufacturing, 2016—Summary Tables, February 16, 2018, <https://www.conference-board.org/ilcprogram/index.cfm?id=38269>.

⁴United States General Accounting Office, "Few Wood Furniture Firms Moved to Mexico From the Los Angeles Area," May 8, 1991. Testimony of Frank C. Conahan, before the Sub-

environmental provisions in U.S. trade agreements are essentially unenforced.⁵ The Mexican people, and their new leadership, don't want Mexico to be a dumping ground. Indeed, they are dedicated to environmental stewardship. Unfortunately, many companies still seek to invest and operate there, bidding U.S. and Canadian laws against Mexico's developmental needs.

The current text undermines environmental protection and a just transition to a clean energy economy. The environmental chapter fails to address their weak laws and preserves NAFTA's offshoring loophole that allows companies to offshore jobs, climate emissions and toxic pollution to Mexico.

NAFTA's failings are well-known, which led the administration to seek its renegotiation, which brings us here today.

I'm not here to re-litigate the original agreement but to talk about the current issues that have so adversely impacted domestic production and employment, the provisions of the USMCA that seek to address some of those problems, and what else needs to be done as Congress evaluates the agreement and works with the administration to make it better.

Organized labor, via the LAC, engaged extensively with the administration during this process—undoubtedly in a more robust way than with any prior administration. At the end of my testimony, I provide citations to public reports of the LAC, supplemented by references to additional submissions, congressional testimony and other documents. It is hard for me to see how organized labor could have been more engaged, more specific, and more responsive in these negotiations.

Since NAFTA passed, the Teamsters and other stakeholders have raised concerns about cross-border trucking and the threat to highway safety from Mexican-domiciled carriers. NAFTA gave the Mexican trucking industry unfettered access to American interstates. Under a non-conforming measure in Annex II of the USMCA, however, the U.S. government will be able to impose new restrictions on operating authority for Mexican carriers upon a showing of material harm to U.S. drivers or the U.S. trucking industry. This is an important improvement to the original agreement.

The Teamsters also engaged closely in the difficult dairy market access negotiations and support the final compromises, especially the additional market access for American made milk protein concentrates (MPCs) but also the survival of the Canadian supply management system.

However, as the LAC engages both publicly and privately, through the cleared advisor process, not every issue has been publicly addressed. As the heat of the negotiations and the debate intensify, there are claims that there is some moving of the goal posts. The members of this committee are very experienced in the art of negotiation and know that it's a common ploy to say that new issues are being added to the agenda. To be clear, any comments as to "new issues" would be completely unfounded. Sure, new approaches to previously stated concerns may arise, but all the underlying issues that need to be addressed were raised at some point in the process; many of the concerns being raised countless times.

Today, I want to address some issues that must be addressed for an agreement to promote the interests of domestic producers and workers—manufacturing and service sector workers, who have seen their jobs outsourced to Mexico or faced the pressures of the NAFTA to their detriment. My comments will be far from comprehensive. Indeed, the LAC's original submission to the USTR identifying labor's views spanned 88 pages. While I will not address every issue here, my failure to address an issue does not signal that it does not need to be addressed. Every issue impacts the lives, livelihoods, health, safety and future of workers here in the U.S. and in Mexico and Canada.

It is vital to understand that, like every single trade agreement in the past, the USMCA is being oversold by its proponents. While it makes good strides to curtail access to private justice systems for multinational investors and includes a number of other "first ever" innovations, much work remains.

committee on Commerce, Consumer Protection, and Competitiveness of the House Committee on Energy and Commerce.

⁵ General Accounting Office, "Four Free Trade Agreements GAO Reviewed Have Resulted in Commercial Benefits, But Challenges on Labor and Environment Remain," July 2009, <https://www.gao.gov/new.items/d09439.pdf>.

The USMCA cannot be viewed in isolation. As work on USMCA continues, we cannot ignore the continuing trade problems with China and other countries. We cannot ignore the fact that there is a significant infrastructure deficit or that our tax policies create incentives to offshore production. We cannot ignore a multitude of other policies that have undermined the interests of working people. In this light, try as they might, the economists will be unable to prove the macro-economic merits of the USMCA.

At the same time, as organized labor has said—repeatedly—we are committed to working with the administration to improve the existing agreement. AFL–CIO President Trumka and many other labor leaders have publicly supported the negotiations and, as it relates to the labor text, indicated that it improves upon the existing framework of standards, but must be strengthened and coupled with accessible and timely implementing, monitoring and enforcement provisions. If we cannot be certain that the labor provisions will be effectively and timely enforced, even improved standards are of little use. They won't help discourage outsourcing, raise wages and working conditions in Mexico, and they won't help restore balance between labor and employers in the U.S.

However, even if we were to achieve all our goals, we will not oversell the final product to our members. They have lived with the devastating impact of NAFTA for a generation—they are rightly skeptical, and their leaders will not mislead them.

Given the chance to improve upon the existing agreement, if it makes *meaningful* and effective changes that will be implemented, monitored and aggressively enforced, and that will significantly address the outsourcing that continues across industries, we should take those steps. We have worked to address the flaws in the new NAFTA and the substance of those changes and our experience will drive our decisions, not partisan politics.

Since the first days of this administration, Ambassador Lighthizer and his team have been highly accessible, engaged and open to honest dialog about what a good USMCA must contain. They have taken our advice seriously—even when they have strongly disagreed with it—something prior USTR teams—on both sides of the aisle—failed to do. They have earned and deserve the engagement that exists which is why organized labor remains engaged. And it is why Speaker Pelosi created a negotiating group to work with the administration to achieve a product that can garner broad and bipartisan support. This is one of the few policy issues that could actually be on a potential track to resolution.

The positive impact of the USMCA's current provisions, however, are not going to be achieved simply through the existing text of the agreement and won't be resolved with minor word changes and enforcement proposals that lack specificity, automaticity, and teeth. While there is a lot of pressure to achieve a quick result, this process should not be rushed. There is a shared desire to reach a successful conclusion and we believe progress is being achieved.

Chairman Grassley, Ranking Member Wyden, I and others from organized labor have met with your staffs and appreciate their time, commitment and openness. We appreciate that they have traveled to Mexico to learn more about the specific concerns we have raised. Continued substantive engagement, rather than the politicization of USMCA is more likely to achieve positive results. We remain committed to putting in the time, energy, and engagement on a substantive basis.

So, with that long introduction, let me address several specific issues.

First is the issue of the labor text, Mexico's commitments under the Labor Annex and the need for a robust implementation, monitoring and enforcement regime. That is the single most important issue which, over the long-term, will result in a more balanced trade relationship and will begin to address the significant impact NAFTA has had on suppressing and reducing wages and promoting outsourcing of jobs.

These changes will not stop outsourcing of U.S. jobs, but, over time, they may help reduce the pressures. As Mexican workers and free and independent labor unions are able to jettison the hundreds of thousands of so-called protection contracts and exercise their fundamental rights to freedom of association and collective bargaining, we will see their wages and conditions of employment improve.

Right now, the vast majority of major workplaces in Mexico are covered by protection contracts. In many instances, workers never had a hand, or a say—or sometimes knowledge of—the contracts they are covered by. The contracts are called protection contracts because they protect the economic interests of employers, not em-

ployees. Producers often are handed a contract as they decide to invest, even before the footers for the factory are poured or the office site is chosen.

The experience of the workers at Nabisco provides a textbook example of the problems that exist.

Earlier this decade, Mondelez-Nabisco invested over \$500 million in a new plant in Salinas Victoria, Mexico. Before the facility was even complete, Nabisco started laying off workers in the United States, many in the iconic Oreo line, to be replaced by production in Mexico.

In June of 2015, Mondelez-Nabisco closed a bakery in Philadelphia, laying off 450 workers. In 2016, Mondelez laid off 600 workers at its flagship bakery at the Chicago Nabisco plant, to be replaced by production in Mexico.

It was largely believed the Salinas facility was operating under a protection contract, which most workers didn't even know existed, much less had a say in.

When the Bakery, Confectionery, Tobacco Workers, and Grain Millers (BCTGM) union in the United States requested and received a copy of the protection contract—a rare feat to obtain these secretive contracts—it was found the workers in the Salinas plant had a 3-tier scale. The highest pay rate converted to \$1.29 per hour, the middle rate to \$1.14 per hour, and the lowest, a mere 97 cents per hour.

While Mondelez-Nabisco pays Mexican workers less than 10 percent of their U.S. counterparts, the price of Oreos and other baked goods produced in Salinas aren't any cheaper on U.S. shelves. It's clear U.S. consumers and workers are not the ones benefiting from these outsourcing scenarios.

Fixing NAFTA requires that these examples—of which there are too many to account for—be addressed.

The Labor Chapter and Annex, properly implemented, monitored and enforced, and coupled with greatly improved labor standards will hopefully improve conditions—over time. The USMCA allows Mexico a 4-year window in which to implement the changes. During that period, existing contracts will remain unless and until they are renegotiated. And, even with the advent of a freer and more independent union movement, it will still be difficult. Four years is a long time for workers to wait to achieve their rights, and the fruits of an equitable bargain. Moreover, effective and independent unions will not just appear—they will need nurturing and support to grown in the context of decades of labor suppression.

While the Labor Chapter and Annex to the USMCA includes improvements over current law, there are still significant issues that must be addressed.

Some want to shift the debate immediately to implementation, monitoring and enforcement. But the threshold question is: What are the standards that underly the commitments?

The agreement, through a footnote, appears to limit the ability to utilize International Labor Organization (ILO) standards and jurisprudential guidance to inform what the USMCA and its provisions are supposed to guarantee to workers. By failing to simply refer to the relevant ILO conventions, this footnote introduces needless confusion over the substantive meaning of the labor rights each party has agreed to adopt and enforce. Organized labor has called for the removal of the footnote since its adoption many years ago. It is outdated and inappropriate. Eliminating the footnote will not require the U.S. to change its labor laws. This remains an important issue.

There are also limiting terms in the text that should be eliminated specifically the phrases “in a manner affecting trade” and in a “sustained or recurring course of action.” USTR did address some of our concerns but the retention of those terms, and the potential negative impact on workers merits their deletion. These limitations do not apply to NAFTA rules addressing investor rights, banking rules, telecom rules and the like. They have historically been a way of singling out labor and environmental rules for lesser enforcement.

Workers' rights impact the operation of markets. Free markets require free labor rights so that workers can freely associate and bargain for the wages and compensation that their skills and aptitude merit and that reflect the proper balance of power in the workplace. While a worker may not produce a good destined for export, his or her income determines their demand which is vital not only to fuel domestic consumption but to enhance the appetite for imports. Requiring a showing of how a product or service is related to trade is inappropriate.

Second, and even more troublesome, is the question of why a violation of workers' rights must occur through a sustained or recurring course of action or inaction. No one contemplates that a single, minor workplace grievance will rise to the level of triggering a trade complaint. On the other hand, there are egregious, single actions which can and do have a chilling impact on the free exercise of rights. For example, the shooting of a worker by anti-union thugs can and has stopped an organizing effort in its tracks. Under the standard in the agreement as it now stands, a single murder would not be actionable, no matter what its impact on organizing efforts. Again, this limitation should be removed.

Moreover, we are concerned that the footnote designed to clarify the definition of "sustained or recurring" could instead create new barriers to effective enforcement, as there are myriad ways that a government could fail to enforce workers' rights, meaning that proving that multiple violations were "the same or related in nature" may prove challenging.

It's important to recognize that, while the 2015 Trade Promotion Authority refers to these terms, TPA has never been treated as a word-for-word blueprint for trade agreements. TPA only requires that Presidents give their best efforts to achieve the TPA objectives. Moreover, TPA was written 2 years before the arbitral decision in the Guatemala workers' rights case made clear for all to see that these terms serve as a barrier to enforcement. Congress should support the elimination of those provisions in the text.

This, of course, raises a separate issue: Does the text of the agreement need to change? The short answer is "yes." Many of the most recently negotiated agreements signed by the U.S. were amended after signing but before approval by Congress. We need to get it right, not shackle ourselves to an unacceptable approach. For organized labor the question is whether any changes will be treated as core agreement language that is not severable from the other provisions of the agreement.

These are among the standards that must be addressed in the agreement that will subsequently need to be effectively implemented, monitored and enforced.

Of course, standards that are not implemented are worthless. Many of the changes Mexico has adopted in its labor reforms are not yet in place. As noted above, the Mexican government has proposed a 4 year window for implementation, with key actions—such as the verification that collective bargaining agreements have worker support—left to the initiative of incumbent unions. The new legislation requires Mexico to set up a new system of courts and a new government agency to handle conciliation and contract registration, which will require the hiring and training of thousands of judges, inspectors, conciliators, and other skilled professionals but to date, no funds have been authorized or appropriated to support the implementation.

Yet already the protection unions and their supporters have counter-attacked, filing more than 400 requests for injunctions against the new legislation. Some courts have already granted injunctions, generating legal uncertainty and potentially slowing the implementation process even further.

On the shop floor in Mexico, *nothing* has changed yet as a result of the reform.

In the past, we have seen action plans announced but not fully implemented before compliance has been certified allowing for trade benefits to flow. That is unacceptable. Implementing the laws with concrete steps, resources, personnel and commitment must occur before the agreement enters into force.

The last administration certified that Colombia had met the terms of its action plan, thereby granting the benefits Colombia so desperately wanted. But in fact, Colombia had only partially implemented its action plan. The premature certification stunted further labor improvements in Colombia and dealt a set-back to workers hoping to exercise new rights. We cannot allow that to happen again and certification requirements must be adopted, with appropriate oversight, to ensure that the agreement's terms are being properly met, not that political favors are being granted. The certification requirement is an important substantive provision that has not yet been drafted.

There must also be adequate resources and a concrete implementation plan for what the U.S. will do. We have had extensive discussions with the USTR over the past 2 years on the components of such a proposal and the need for mandatory, assured and significant funding for a protracted period to support implementation of these new labor commitments.

Mexican workers have not had the labor rights they deserve. This agreement may help if it is coupled with the resources to provide on-the-ground support. Our own government needs to expand its activities in this vital area. There are a large number of documented labor rights violations occurring on an ongoing basis which are not being addressed. That sends a very negative message as to what the future might hold.

We need to treat facilitating workers' rights in Mexico the same way that the business community has treated trade facilitation provisions.

Coupled with these improvements, the agreement must include much stronger enforcement provisions. Right now, as the committee knows, any of the three signatory countries may block an arbitral panel from forming which, essentially, means that no enforcement case can proceed. In the context of workers' rights, as virtually every case in the past has been subject to dilatory and disabling tactics, it's a recipe for disaster.

While the Ambassador's concerns about panels imposing obligations on the U.S. that were never negotiated are shared, we must abandon the principle that the labor standards in U.S. trade agreements are fully enforceable. We cannot allow our trade partners to short-circuit the state-to-state dispute resolution process by blocking arbitration panels. A functioning dispute settlement panel is necessary but not sufficient to improve on the disastrous U.S. record of labor non-enforcement. Even if panel blocking is eliminated, the enforcement mechanism would then duplicate the mechanism in CAFTA, which relies on labor unions to investigate and report on violations, includes no effective deadlines, allows for endless delays and places no obligations on any party to actually enforce the rules they mutually negotiated. State-to-state dispute settlement must be supplemented with more specific and effective mechanisms, such as those outlined by Senators Brown and Wyden in their enforcement proposal.

As the existing agreement states in article 23.2(3) "The parties also recognize the goal of trading only in goods produced in compliance with this chapter." That fundamental principle must be effectuated through additional provisions in the agreement. Just as goods produced in violation of a company's intellectual property rights can be blocked from entry, so should the products produced in violation of the workers' rights provisions. The interests of workers are just as, if not more, important.

Access to medicines is another critical issue that must be addressed. The agreement advances the rights of pharmaceutical companies to the detriment of patients. There is simply no reason why Canada and Mexico should have to adopt more lucrative provisions for the drug companies at the expense of their people. The provision would also tie Congress's hands in reforming laws that unfairly privilege brand name drug companies—leaving too many U.S. families unable to afford their medicines and leading to spiraling costs in programs like Medicare and Medicaid.

Every worker knows that the cost of health care is part of their overall compensation. The rising cost of prescription drugs has helped drive the price of health insurance to unacceptable levels. To maintain their coverage, and protect their family's health, many workers have to forgo wage increases and their retirement security at the bargaining table as a tradeoff for health coverage. This reduces their disposable and future income.

Story after story highlights the exorbitant cost of prescription drugs and the USMCA's gift to the drug companies was not only unnecessary, it will have a devastating impact on people in all three countries.

Just last month Florida passed legislation allowing for the importation of prescription drugs from Canada and other countries. The ability of Floridians to afford the cost of their prescriptions through this mechanism—something the administration apparently supports⁶—would be undermined by USMCA.

Most problematically, provisions in the current agreement would lock in excessive monopoly protections for biologic drugs that would keep life-saving biosimilars off the market. Bipartisan legislation (H.R. 3379) is currently pending in Congress that would reduce from 12 years to 5 years the amount of exclusivity afforded to biologics. That legislation would be blocked by provisions in this agreement that set a minimum of 10 years of exclusivity for biologics.

⁶Associated Press, June 11, 2019, "Florida Governor Signs Bill for Foreign Drug Importation," by Curt Anderson. "DeSantis said President Donald Trump supports the initiative and has directed the U.S. Health and Human Services Department to approve it."

In addition, the USMCA does not exclude chemically synthesized polypeptides from the definition of biologic drugs—as current U.S. law does—thus appearing to risk the possibility that the agreement would force us to deem these drugs biologics and, thus, afford them additional exclusivity. Chemically synthesized polypeptides include important treatments for diabetes, osteoporosis and other conditions, and we cannot afford to raise prices on those drugs moving forward.

These provisions must be eliminated.

The rules of origin in the USMCA are being advanced as a way of promoting manufacturing in North America. They still need improvements and their impact on the U.S. is uncertain.

This may sound strange in light of the agreements' provisions increasing the rule of origin in the automotive sector from the existing 62.5 percent to 75 percent. Indeed, because of the change in the method for calculations, the existing NAFTA 62.5 percent standard, based on more recent trade agreements and the method in the USMCA is actually lower—somewhere in the neighborhood of 52–53 percent.

So, why wouldn't the increase to 75 percent result in huge job gains for the U.S.? It's because the standard applies to North American content. The higher standard may incentivize auto assembly companies to ressource auto parts that they are presently obtaining from Asia and elsewhere but, with the dramatic cost benefits of producing in Mexico, many auto parts producers will continue to relocate there rather than produce here.

And, despite several conversations and requests, there still are a number of specific definitions in the rules of origin for the automotive sector that are in question. We have met repeatedly with USTR to try and obtain answers and are awaiting responses.

The USMCA does include a new Labor Value Content (LVC) relating to the automotive rules of origin. This is a novel and creative approach that, for the first time, ties content to a wage standard. As a concept, this is something organized labor welcomes, but still has questions about and believes needs to be improved. The provision essentially requires that 30 percent of an auto's content consists of parts made by workers making an average of \$16 an hour.

Let me provide an example that fuels our concerns. The Ford Fusion is made at a plant in Hermosillo, Mexico. According to American University's Kogod School of Business' *Made In America Auto Index 2018*, each of the three models produced at that plant has a level of content produced in either the U.S., or Canada that already meets the 30 percent level.⁷ Presumably, the jobs in the U.S. or Canada equal or exceed the \$16 per hour average figure required by the LVC.

To be fair, the administration disputes this analysis, indicating that it is based on faulty methodology. We have asked for specific information as well as suggested that they contact the authors of the studies to correct any inaccuracies. As the companies do not share their sourcing, production or other similar information with us, we cannot independently perform an analysis. So, this data, and information produced by others is forcing us to continue to evaluate the proposal.

In addition, the LVC is based on an average, not a minimum. Thus, for every worker at a factory producing an auto component that will be factored into the LVC making \$28 an hour, 3 more could be making \$12 an hour and the average requirement of \$16 would still be met. In addition the requirement is not indexed to inflation.

As I noted before, the creativity and direction of the USTR's proposal is appreciated. But our duty is to engage in a detailed examination of the proposals and their potential impact on our members.

A related issue pertains to the requirement that 70 percent of the steel and aluminum for autos be sourced from North America. Unfortunately, the underlying definition behind this requirement does not require that the steel be melted and poured in North America or that the analogous definition relating to aluminum apply. Thus, carbon steel slabs could be imported from China, rolled into sheet and made into body panels and the "steel" would qualify as "originating" under the USMCA. I don't think that meets anyone's common-sense definition of what it means to have the steel and aluminum be made here and it should be fixed.

⁷ American University, Kogod School of Business, *Made in America Auto Index 2018*, Research by Frank DuBois, <https://www.american.edu/kogod/research/autoindex/2018-autoindex.cfm>.

And, for me, it is hard to understand why major automotive firms would support the USMCA if it imposed any significant new costs on them or forced them to alter their production plans. Their goal is profits. They are not charitable enterprises. If they are not complaining, this should give us all pause.

The draft Statement of Administrative Action (SAA) also needs to be altered to limit the authority of this or future administrations to change the rules of origin without congressional input and review. The draft SAA sent to Congress gives the administration sole discretion to make changes to the rules.

As an overlay enforcement proposal, which we have raised with the USTR throughout the process, there needs to be a robust verification and validation infrastructure supporting these provisions. We have seen too many circumvention schemes in the past that have not been a priority for CBP or others to uncover. Workers deserve to have trade agreements that are enforced and that they can have confidence in.

This infrastructure should include regular and detailed public reporting requirements, based on the Steel Import Monitoring and Analysis (SIMA) System⁸ but should be extended to cover aluminum products. Both steel and aluminum were covered by the President's section 232 investigations, and ongoing review of trade flows in those products is necessary.

And other industries must be included.

An additional issue for Congress which has been raised with the USTR but merits more attention, is the analysis needed to support the 6-year review of the USMCA. Originally the administration had floated the idea of a mandatory sunset if the agreement was not living up to the promises that had been made. For organized labor, this was a significant proposal that would guarantee that, if mistakes occur, that workers would not be burdened with those mistakes forever.

The sunset is now fashioned as an evaluation. That's a critical missed opportunity. But, the debate about the review must be supported by robust data, and not mere political rhetoric. Concrete and comprehensive data collection and publication should occur to inform Congress and the public as the 6-year review approaches. Among the information that must be collected and published is the exact impact of the auto rules of origin on workers and production here in this country. What is the outsourcing of U.S. production and how are supply chains altered and what is the impact on jobs, wages and compensation? These, and many other data sets must be developed and available for review.

There are many other issues in the context of the USMCA that merit attention which I have not raised here, but which are addressed in the public and private submissions of organized labor and its affiliate unions. Environment, currency, country of origin labeling, protections for migrant labor and a variety of other issues are addressed in our submissions.

And Mexico must set a course for action. Part of that will be dispensing with the dozens of cases that have been filed by the protection unions themselves to overturn the recent labor reforms which seek to implement the USMCA commitments. Mexico must also fund and implement a credible enforcement strategy to address violations in key sectors immediately, not 4 or 6 years down the road.

The agenda is broad and deep. Organized labor has many different interests, but it is united in wanting an improved NAFTA that will support and promote a rising standard of living for workers in all three countries. We are committed to that task.

I will do my best to answer your questions. Where I do not have the expertise, I will seek to provide you responses in writing, after consultation with my colleagues. And, as the discussion about the USMCA continues, I and my colleagues stand ready to work with you.

Thank you.

Selected Supporting Documents

NAFTA Negotiations Recommendations, Docket No. USTR-2017-0006, June 12, 2017, Testimony of Celeste Drake on behalf of the AFL-CIO (also included as appendix in September 18, 2018 document below)—<https://aflcio.org/sites/default/>

⁸The Steel Import Monitoring and Analysis System is maintained by the U.S. Department of Commerce, <https://enforcement.trade.gov/steel/license/index.html>.

files/2017-06/NAFTA%20Negotiating%20Recommendations%20from%20AFL-CIO%20%28Witness%3DTLee%29%20Jun2017%20%28PDF%29_0.pdf.

Report on the Impacts of the Renegotiated North American Free Trade Agreement, Labor Advisory Committee on Trade Negotiations and Trade Policy, September 18, 2018—<https://ustr.gov/sites/default/files/files/agreements/FTA/AdvisoryCommitteeReports/Labor%20Advisory%20Committee%20on%20Trade%20Negotiations%20and%20Trade%20Policy%20%28LAC%29.pdf>.

Addendum to the Report on the Impacts of the Renegotiated North American Free Trade Agreement, Labor Advisory Committee on Trade Negotiations and Trade Policy, October 25, 2018—https://ustr.gov/sites/default/files/files/agreements/FTA/AdvisoryCommitteeReports/Labor_Advisory_Committee_on_Trade_Negotiations_and_Trade_Policy_%28LAC%29_Addendum.pdf.

“Trade and Labor: Creating and Enforcing Rules to Benefit American Workers,” testimony before the House Ways and Means Subcommittee on Trade, March 26, 2019

- Testimony of Steve Catanese, president, Local 668 Chapter, Service Employees International Union—<https://docs.house.gov/meetings/WM/WM04/20190326/109127/HHRG-116-WM04-Wstate-CataneseS-20190326.pdf>.
- Testimony of Celeste Drake, trade and globalization policy specialist, AFL–CIO—<https://docs.house.gov/meetings/WM/WM04/20190326/109127/HHRG-116-WM04-Wstate-DrakeC-20190326.pdf>.
- Testimony of Holly Hart, assistant to the international president, United Steelworkers—<https://docs.house.gov/meetings/WM/WM04/20190326/109127/HHRG-116-WM04-Wstate-HartH-20190326.pdf>.
- Testimony of Shane Larson, director of legislation, politics, and international affairs, Communications Workers of America—<https://docs.house.gov/meetings/WM/WM04/20190326/109127/HHRG-116-WM04-Wstate-LarsonS-20190326.pdf>.
- Testimony of Josh Nassar, legislative director, United Auto Workers—<https://docs.house.gov/meetings/WM/WM04/20190326/109127/HHRG-116-WM04-Wstate-NassarJ-20190326.pdf>.

“Enforcement in the New NAFTA,” testimony of Owen E. Herrnstadt, chief of staff and director of trade and globalization, International Association of Machinists and Aerospace Workers, AFL–CIO, before the House Ways and Means Subcommittee on Trade, May 22, 2019—<https://docs.house.gov/meetings/WM/WM04/20190522/109520/HHRG-116-WM04-Wstate-HerrnstadtO-20190522.pdf>.

“Mexico’s Labor Reform: Opportunities and Challenges for an Improved NAFTA,” testimony of Cathy Feingold, international director, AFL–CIO before the House Ways and Means Subcommittee on Trade, June 25, 2019—<https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/Feingold%20Testimony.pdf>.

QUESTIONS SUBMITTED FOR THE RECORD TO MICHAEL WESSEL

QUESTION SUBMITTED BY HON. CHUCK GRASSLEY

Question. You wear two hats that I think are quite relevant here: you’re a Commissioner on the U.S.-China Economic and Security Review Commission and Staff Chair to the Labor Advisory Committee for Trade Negotiations and Trade Policy. You’re very familiar with how China unfairly takes advantage of open trading systems to the detriment of workers around the world. USMCA was drafted from the outset with the understanding of the risks and challenges posed by China. For example, USMCA requires Canada and Mexico to let the United States review any trade agreement they might enter into with China, so that we can assess its possible impact on North American trade. China has loudly condemned this provision.

Do you agree that one of NAFTA’s weaknesses was that it did not anticipate China’s predatory policies, and that USMCA is accordingly a significant improvement in that regard?

Answer. Going forward, the provision in USMCA that allows the United States to review any trade agreement our signatory partners may sign with China is recognition of the increasing impact that China’s trade policies have on the North American market. In addition to other provisions that will allow for cooperation on Customs and trade enforcement, USMCA may allow for more coordinated responses to Chinese unfair trade practices. But it is important to recognize that the damage

that the original NAFTA has wrought on the U.S. market was structurally-based on trade among the three NAFTA partners, well before China became a significant player in North America. China's activities have deepened the decline in U.S. manufacturing and employment and added to the negative impact of the original NAFTA.

QUESTION SUBMITTED BY HON. PATRICK J. TOOMEY

Question. I have been clear in my view that the President does not have the unilateral power to terminate NAFTA without the consent of Congress. As you know, article I, section 8 of the Constitution explicitly vests Congress with trade responsibilities, and there is no explicit language anywhere in U.S. statute that delegates to the executive the ability to unilaterally withdraw from trade agreements.

Do you believe that the President has the legal authority to unilaterally withdraw the United States from NAFTA?

Answer. I do not believe that the law is settled on this matter. As the Congressional Research Service has noted (U.S. Withdrawal From Free Trade Agreements: Frequently Asked Legal Questions, September 7, 2016), there are a variety of questions that the withdrawal would trigger and, ultimately, the issue would probably be decided by the courts.

QUESTIONS SUBMITTED BY HON. SHELDON WHITEHOUSE

Question. The USMCA doesn't contain strong enforcement mechanisms to ensure that Mexico will successfully implement necessary labor standards.

Do you agree that we need stronger enforcement mechanisms to make sure that labor standards are upheld?

How about for environmental standards?

Answer. The existing USMCA text does not include adequate enforcement mechanisms on either labor or environmental standards which is a fundamental flaw of the agreement. As we have seen with many FTAs and other trade initiatives, enforcement has been essentially lax, or nonexistent. This undermines production, employment, a sustainable environment, the health and safety of our people and our standard of living. It also undermines support for trade initiatives as confidence in the proclaimed positive results is limited as our trading partners fail to abide by the commitments they have made.

If enforcement measures are not substantially strengthened, along with addressing a number of other key limitations in the existing USMCA text, the agreement should be rejected.

Question. While I understand the corporate community's desire to reach an agreement on the USMCA, are there any benefits to American workers by rushing this agreement through Congress?

Answer. Significant work is still needed to ensure that the USMCA text advances, rather than undermines, production and employment in the U.S. While workers are anxious to update and reform the existing failed NAFTA, we must not rush through an agreement without modifying the text of the USMCA and including significant implementation, monitoring and enforcement provisions in the implementing bill. U.S. workers, along with their counterparts in Mexico and Canada, cannot afford to have a new flawed agreement put in place.

QUESTIONS SUBMITTED BY HON. CATHERINE CORTEZ MASTO

Question. Under USMCA, Mexico needs to pass and implement labor laws before a new agreement can be enacted.

Has Mexico shown a serious and immediate commitment to providing the resources and implementing the new law?

Answer. Mexico has been slow to develop a comprehensive implementing, monitoring, and enforcement regime for its new labor laws. Work has already been delayed from the initial passage of Constitutional commitments to expand workers' rights in Mexico. While the legislation to implement those commitments has finally

passed, roughly 400 legal challenges have been initiated and no budget has been adopted or funds appropriated to ensure that the new regime will advance workers' interests. Much work remains.

Congress should not vote on a revised USMCA until it has confidence that Mexico has put in place a comprehensive plan to address these issues. And, the entry into force of the agreement should be conditioned on a clear implementation path, with resources, infrastructure, personnel and initial actions.

Question. Do you think that this administration and Congress have a clear understanding of how much there is to do in Mexico, particularly with a decades-long denial of basic workers' rights and correct that track record?

Answer. Reversing a decades-long workers' rights regime that has adversely impacted workers in all three countries will take significant resources and commitment. This is a massive task and there will be substantial efforts by those who have profited from the status quo approach to stifle any progress. We must be clear on the steps that must be taken and reserve leverage to ensure that effective change is implemented and irreversible.

Question. In your review, how can we strengthen the agreement to make to ensure the new Mexican labor laws are implemented and enforced?

Answer. As I outlined in my testimony, there are a number of changes that must be made to the text of the USMCA provisions that must be included in our implementing legislation (and supporting actions), and steps that Mexico must take.

The existing agreement does not include adequate enforcement mechanisms. This problem must be addressed through timely, effective and accessible enforcement provisions that include state-to-state dispute resolution provisions that cannot be blocked as well as provisions based on the framework outlined by Senators Brown and Wyden.

In addition, we must ensure that adequate steps to put Mexico on the path to change are adopted prior to Congress's consideration of an implementing bill, and entry into force must be delayed until there is a certification that Mexico has taken the steps needed to ensure effective change. There must be an independent evaluation of the conditions relating to certification so that a President cannot certify—as happened with the U.S.-Colombia action plan—compliance where adequate steps have not taken place.

Question. Is USMCA sustainable policy that survives changes in political landscapes?

Answer. It's clear that, as with NAFTA, China PNTR, and many other trade agreements and initiatives, that Congress must engage in aggressive oversight and compliance efforts. Too often, the success of our trade policies have been measured by the number of agreements that are signed, rather than the results they produce.

Our trade policies must be constantly evaluated and, where needed, reformed, updated, or repealed, when they do not advance the core objective of raising living standards for our people, promoting human rights, ensuring a sustainable environment, and protecting the health and welfare of our people and those in all signatory countries. USMCA will continue to need updating and reforming as conditions change.

PREPARED STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON

The Finance Committee meets this morning to discuss what needs to happen for NAFTA 2.0 to deliver better results for American workers and farmers and ranchers and their families.

I want to start my remarks by welcoming one of our witnesses—and not only because she's an Oregonian. It's because her business is a perfect example of why the original NAFTA needs an overhaul. Paula Barnett is an artisan from Brownsville, OR in Linn County, population 1,800. She founded a jewelry business that produces in Oregon and sells online, primarily on Etsy, to customers in the U.S. and around the world. She also sources some of what goes into her jewelry from abroad. Getting that kind of business off the ground would have been a lot harder just a few short decades ago when NAFTA was created.

According to Etsy, the total economic output of its sellers based in Oregon is more than \$125 million, and that's just one of the many online platforms that businesses use to grow. Oregon's many success stories also includes Ruffwear, based in Bend, a producer of gear for Very Good Dogs all over the United States and in other countries.

Updating NAFTA means addressing the challenges facing these businesses that operate online. It also means confronting the other areas where older trade agreements continually fall short: fighting to protect labor rights and the interests of working families, preventing a race to the bottom when it comes to the environment, and making sure there is vigorous enforcement of our trade agreements, so that other countries cannot treat those deals as empty documents that give them time and opportunities to rip off American jobs.

The administration has released its NAFTA 2.0 agreement, and it is consulting with the Congress on what comes next. There are a few points I need to make on that process. As I've said in the past, there's work left to be done on key issues. I have concerns about enforcement, because the new NAFTA carries over the weak enforcement system of the old NAFTA. It's too easy on trade cheats, and it's not good enough for American workers—particularly on labor rights. Senator Brown and I have proposed some additional tools to address specific challenges in Mexico, and I'm hopeful there will be progress on that front.

Additionally, one of the bigger challenges that we confront is identifying the hundreds of thousands of sham labor contracts in Mexico that have exploited workers there and harmed workers here in the United States. Mexico must remain on track to get those contracts renegotiated on behalf of the workers' interests.

During this overhaul, the original NAFTA remains in place. Workers, farmers, ranchers, and businesses should not have to fear that economic uncertainty will cost them their livelihoods. It's a problem when the President acts out and makes impulsive threats regarding our trade relationships. American workers and farmers have already been hurt by the President's impulses, and more will get hurt if Trump threats and chaos cause the Congress to accept a bad deal on NAFTA.

Passing a trade deal that would allow this President to unilaterally change trade rules and jerk around entire industries would be a dangerous mistake that promotes uncertainty. That's not how you get to trade done right. Based on that, I have some real concerns about how the administration wants NAFTA 2.0 to be implemented.

I'm looking forward to discussing these issues and more today. Thank you again to Ms. Barnett and all our witnesses for joining the committee today.

COMMUNICATIONS

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Statement of Michael G. Bindner

Chairman Grassley and the Ranking Member Wyden, thank you for the opportunity to submit these comments for the record to the Committee on Finance. They are an excerpt from our Trade Policy Agenda comments submitted last two months and for NAFTA from July of 2017. We also include comments from the Ways and Means Subcommittee on Trade from June regarding Mexican labor reform. We have the same reservations and tax policy solutions.

The first is Chapter 19 Tribunals. These tribunals put national and state sovereignty at the mercy of the interests of multinational enterprise. If such enterprise were employee owned, we would see no problem. That, however, is not the case. Local workers and the environment are put at the mercy of the wealthy few.

The second is visas. Canadian (including refugees from Hong Kong) and American citizens can immigrate for one year (renewable) on a NAFTA visa. Mexican workers cannot. This is purely racism. If the Congress believes there are too many Mexican workers in American fields and factories, repeal right to work laws and immigration restrictions. Most employers will prefer American workers if they have to pay a union wage and operate under safety standards set in collective bargaining. Until then, make visa rules uniform and apply them to workers already here. If this does not happen, someone may yet raise an equal protection case in our courts, which will also give us a test of the constitutionality of the Chapter 19 tribunals.

Labor reform will take the pressure off of migration, although that is now the case already. Mexican workers who can join a Union in Mexico and not in so called right-to-work states will face an easier choice to stay home. We hope that this will lead manufacturers in such states to rethink their positions on organized labor and American labor unions to seek expansion into these states and to link with Mexican unions in solidarity. This may increase prices for some goods, particularly food, but it will increase wages even more, particularly among lower wage workers. We have suffered under a two-tier economy for too long, with undocumented workers suffering the most of all. As a more union-based economy progresses on both sides of the border, the desire for more workplace democracy through employee ownership. Tax reform can certainly facilitate expanding ownership when actual worker control, rather than simply a change in management at the top, evolves.

Consumption taxes could have a big impact on workers, industry and consumers. Canada has a Goods and Services or Value-Added Tax (VAT), as does Mexico. In our tax reform proposal, we refer to such taxes as an Invoice or I-VAT. Such taxes are zero rated at the border, so American consumers benefit while our lack of these taxes means that Canadian and Mexican consumers pay our taxes indirectly while getting none of the associated benefits. This essentially means they often shop elsewhere, which is not good for our workers or industry.

Enacting an I-VAT is far superior to a tariff. The more government costs are loaded onto an I-VAT the better. Indeed, if the employer portion of Old Age and Survivor's Insurance, as well as all of disability and hospital insurance are decoupled from income and credited equally and personal retirement accounts are not used, then there is no reason not to load them onto an I-VAT. This tax is zero rated at export and fully burdens imports. Seen another way, to not put as much taxation into VAT as possible is to enact an unconstitutional export tax. Adopting an I-VAT is superior

to its weak sister, the Destination-Based Cash Flow Tax that was contemplated for inclusion in the TCJA. It would have run afoul of WTO rules on taxing corporate income. I-VAT, which taxes both labor and profit, does not.

The second tax applicable to trade is a Subtraction VAT or S-VAT. This tax is designed to benefit the families of workers through direct subsidies, such as an enlarged child tax credit, or indirect subsidies used by employers to provide health insurance or tuition reimbursement, even including direct medical care and elementary school tuition. As such, S-VAT cannot be border adjustable. Doing so would take away needed family benefits. As such, it is really part of compensation. While we could run all compensation through the public sector.

The S-VAT could have a huge impact on long-term trade policy, probably much more than trade treaties, if one of the deductions from the tax is purchase of employer voting stock (in equal dollar amounts for each worker). Over a fairly short period of time, much of American industry, if not employee-owned outright (and there are other policies to accelerate this, like ESOP conversion) will give workers enough of a share to greatly impact wages, management hiring and compensation and dealing with overseas subsidiaries and the supply chain—as well as impacting certain legal provisions that limit the fiduciary impact of management decision to improving short-term profitability (at least that is the excuse managers give for not privileging job retention).

Employee-owners will find it in their own interest to give their overseas subsidiaries and their supply chain's employees the same deal that they get as far as employee-ownership plus an equivalent standard of living. The same pay is not necessary, currency markets will adjust once worker standards of living rise.

Over time, ownership will change the economies of the nations' we trade with, as working in employee-owned companies will become the market preference and force other firms to adopt similar policies (in much the same way that, even without a tax benefit for purchasing stock, employee-owned companies that become more democratic or even more socialistic, will force all other employers to adopt similar measures to compete for the best workers and professionals).

In the long run, trade will no longer be an issue. Internal company dynamics will replace the need for trade agreements as capitalists lose the ability to pit the interest of one nation's workers against the others. This approach is also the most effective way to deal with the advance of robotics. If the workers own the robots, wages are swapped for profits with the profits going where they will enhance consumption without such devices as a guaranteed income.

Thank you for the opportunity to address the committee. We are, of course, available for direct testimony or to answer questions by members and staff.

ELECTRONIC TRANSACTIONS ASSOCIATION
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July 30, 2019

The Honorable Chuck Grassley
Chairman
U.S. Senate
Committee on Finance
Washington, DC 20515

The Honorable Ron Wyden
Ranking Member
U.S. Senate
Committee on Finance
Washington, DC 20515

Dear Chairman Grassley and Ranking Member Wyden:

On behalf of the members of the Electronic Transactions Association (ETA), I am writing in support of the United States-Mexico-Canada Agreement (USMCA). Ratifying the USMCA would strengthen U.S. cross border digital trade leadership and advance electronic payment products and services ability to grow platforms and services that enable engagement with the digital economy.

As the Committee holds its July 30th hearing on the USMCA trade agreement, we urge Committee members to take into account the significance of the digital trade rules on the United States economy and to take the necessary steps to ratify the USMCA and start receiving the myriad of benefits. Similarly, ETA is working with

the Canadian government and asking them to take the appropriate steps to ratify the trade agreement.

ETA is the leading trade association for the payments industry, representing over 500 companies that offer electronic transaction processing products and services; its membership spans the breadth of the payments industry to include independent sales organizations, payments networks, financial institutions, transaction processors, mobile payments products and services, payments technologies, equipment suppliers, and online small business lenders.

Digital technology drives global commerce and ensures payments happen on time and in the right amount. The USMCA promotes and sets a new and important precedent for modern trade rules that reflect the importance of data, technology, and innovation in the United States—and the North American—economy.

Businesses and entrepreneurs in every American state and every community use the Internet to sell and export their goods and services across the globe and the USMCA provides strong provisions in the agreement allow for the free flow of information across borders. Additionally, the USMCA encourages governments to release non-sensitive data in an open format so companies have the opportunity to build additional applications and services. This is essential to the vibrancy of the international economy and ensures American businesses and entrepreneurs can easily access data and provide services to partners in Canada and Mexico.

The USMCA also limits government restrictions on information flow across borders, recognizing that wide availability of information leads to more trade and economic growth. By barring any country from requiring any sector to use or locate computing facilities in their territory as a condition for conducting business, this provision will allow companies to store their data wherever they choose. Reducing the cost and regulatory burdens of doing business in other countries and ensuring their data isn't vulnerable to attack. Leveraging the global, interconnected nature of the Internet is beneficial to all consumers—especially for United States small businesses expanding into new markets.

The USMCA reflects the important principle that consumers' privacy should be protected no matter what country and individual or business is located. The USMCA promotes flexible but strong privacy laws and cybersecurity standards to protect people's data without prohibiting the movement of data across borders.

Ratification of the USMCA would be a boost for the American economy and bring predictable rules for all companies that use electronic payments in North America. The United States has an important opportunity to continue to be the world's leader in global commerce by passing the USMCA. We urge the Administration and Congress to work together to do so.

We appreciate your leadership on this important issue. If you have any questions, please feel free to contact me directly at stalbott@electran.org.

Sincerely,

Scott Talbott
Senior Vice President of Government Relations
Electronic Transactions Association

FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES
<https://www.fdaacs.gov/>

**Statement of Hon. Nicole “Nikki” Fried,
Florida Commissioner of Agriculture**

Chairman Grassley, Ranking Member Wyden, and members of the Committee, thank you for the opportunity to address concerns regarding the lack of remedies in the United States-Mexico Canada Agreement (USMCA) for U.S. seasonal produce growers.

As Florida's second largest industry, agriculture has a \$132 billion economic impact in our state. Our 47,000 farms support 2 million workers, and good jobs that help Floridians provide for their families. Our farmers export \$4 billion in commodities to 164 nations, feeding our neighbors, our communities, and the world.

For 25 years, the North American Free Trade Agreement (NAFTA) has created a multitude of challenges for farmers in Florida and the southeast. Trade disadvan-

tages have allowed our markets to be flooded with cheap produce, while no meaningful protections have been offered. Like NAFTA, the proposed USMCA trade agreement will do nothing to address unfair trade practices and the lack of protections for Florida's seasonal and perishable crop growers.

Florida's growing season runs parallel to Mexico's, and with the Mexican government's agricultural subsidies and lower labor costs and safety standards, Mexican producers dump artificially low-priced products in the U.S. market. In just the past 8 years, imports of strawberries, blueberries, bell peppers, and tomatoes have increased by 33 percent, which comes directly at the expense of southeastern farming families.

Without enforceable remedies in place, these unfair practices will continue, further threatening our farmers, our agriculture industry, and our entire state economy.

Should the USMCA take effect as currently written, without action from the Administration or Congress to protect America's seasonal produce industry, the results would be devastating for southeastern farmers. In Florida alone, nearly 8,000 farm jobs could be lost; our state may suffer up to \$389 million in farm losses, \$271 million in lost labor income, and \$70 million in lost federal, state and local tax revenue. These troubling findings were published in a June 4, 2019 study by the University of Florida's Institute of Food and Agricultural Sciences, "Potential Economic Impacts in Florida of Increased Imports of Mexican Fruits and Vegetables" (Hodges, Court et al.), which I implore all members to review as these important discussions continue.

Fruit and vegetable farming supports 90,000 jobs and adds over \$6 billion to Florida's economy, with thousands more jobs in Georgia and other southeastern states. The USMCA was a bad deal when introduced; without provisions to protect these jobs, it remains a bad deal now.

The produce trade war should serve as a reminder to our citizens: the food we enjoy is grown by real people, and comes at a real cost with real jobs at stake. Our fresh produce comes from the farms of hardworking family businesses with generations of history behind them.

As you and your colleagues consider ratification of the USMCA, I encourage you to put American farmers first, and insist the agreement contain provisions that put an end to the unfair trade practices of which Mexico for years has taken advantage.

I also strongly urge this Congress to support the Domestic Produce Protection Act (S. 16/H.R. 101) sponsored by Senator Rubio and Representatives Buchanan and Lawson. This legislation has the bipartisan support of Florida's entire congressional delegation, the remedies in which will provide assurances to U.S. seasonal growers that they will not, once again, be left behind.

This is a time in which our agricultural producers face extraordinary challenges from foreign competition, natural disasters, pests and diseases, climate change, and an evolving economy. Agriculture is a way of life, central to our identity as a nation.

I ask this Committee and members of the Senate to take appropriate steps to protect American farmers from devastating trade practices that continue to undermine our proud agriculture industry.

Thank you.

NATIONAL ASSOCIATION OF STATE DEPARTMENTS OF AGRICULTURE

The National Association of State Departments of Agriculture (NASDA) commends the Senate Finance Committee for holding a hearing on the U.S.-Mexico-Canada Agreement (USMCA). USMCA is a vital trade agreement for the U.S. food and agriculture industry. Swift ratification of the USMCA will allow farmers, ranchers, foresters, and agribusinesses across the country to fully realize the benefits of open markets and science-based trade in North America. Given the importance of the agreement, NASDA urges Congress and the administration to work together on successful ratification and implementation of the USMCA.

I. About NASDA

NASDA represents the Commissioners, Secretaries, and Directors of the state departments of agriculture in all 50 states and 4 U.S. territories. State departments of agriculture are responsible for a wide range of programs including food safety, combating the spread of disease, and fostering the economic vitality of our rural

communities. NASDA members are also responsible for promoting their states' products in international markets, as well as managing regulatory and certification programs that facilitate agriculture and food exports.

Given the important role exports play in ensuring a prosperous agriculture sector, promoting exports and increasing international trade is a top priority for NASDA. The USMCA will help NASDA and our members achieve this goal by increasing market access for U.S. products and modernizing trade standards. Agricultural producers and agribusinesses in every state stand to gain from these improvements.¹ Once implemented, the USMCA will enhance the efficient North American supply chains that have allowed U.S. agriculture to flourish.

II. USMCA Benefits the U.S. Food and Agriculture Industry

For over 25 years, agricultural producers have enjoyed open markets and science-based trade in North America. Both Canada and Mexico are critical trading partners for U.S. producers, consistently ranking as two of the top three export markets for food and agricultural products. Last year, food and agriculture exports to Canada and Mexico were valued at close to \$45 billion²—a four-fold increase since the North American Free Trade Agreement (NAFTA) was implemented in 1993.³

The USMCA builds on U.S. agriculture's 25-year success story, bringing our trading relationships with Canada and Mexico into the 21st century. USMCA includes important modernizing provisions and increased market access for agricultural goods. The International Trade Commission estimates that these improvements will increase exports of food and agriculture exports by over \$2 billion.⁴ For the nation as a whole, the USMCA is expected to raise overall GDP by over \$68 billion.⁵

U.S. farmers, ranchers, and agribusinesses are facing uncertainty in the global marketplace and a weak farm economy. Congress can provide a much-needed boost to agricultural producers and rural communities by bringing the USMCA into force as quickly as possible. The benefits of such a move will also be felt across many sectors of the economy. When industries such as transportation are considered, U.S. agriculture exports support more than one million American jobs.⁶

III. Certainty at Home Will Lead to More Opportunities Abroad

In addition to the immediate economic benefits, ratifying the USMCA will enable Congress and the administration to devote additional resources to other critical international trade initiatives. Resolving the ongoing trade dispute with China and expanding market access around the world are top priorities for NASDA and U.S. agriculture.

China's unjustified retaliatory tariffs have hit U.S. agricultural producers particularly hard in the last year. Nonetheless, China continues to hold enormous market potential. NASDA remains hopeful that the U.S. and China can agree to a deal that restores market access for U.S. agricultural commodities and addresses the unscientific, non-tariff barriers imposed on U.S. producers.

At the same time, NASDA supports efforts to strike new bilateral trade agreements that open opportunities for U.S. agriculture. Japan is a particularly important market, given that many of our leading competitors have already secured preferential market access through agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the European Union-Japan Economic Partnership Agreement (EPA). For U.S. agriculture to remain competitive over the long-term, the U.S. needs a comparable agreement that will level the playing field. Ideally a U.S.-Japan deal would eliminate and/or phase out all existing tariffs and tariff-rate quotas, but at a minimum market access provisions should match or improve on the provisions found in CPTPP and EU-Japan EPA.

Other important trade agreements for U.S. agriculture include the European Union and, post-Brexit, the United Kingdom. It is critical to include agriculture as

¹For a state-by-state overview of USMCA impacts, please visit: <https://www.nasda.org/policy/issues/marketing-trade/international-trade-and-promotion/u-s-mexico-canada-trade-agreement/usmca-state-fact-sheets>.

²U.S. Department of Agriculture. (2019). *Global Agricultural Trade System*. Available from <https://apps.fas.usda.gov/gats/>.

³*Ibid.*

⁴U.S. International Trade Commission. (2019). *United States-Mexico-Canada Agreement: Like-ly Impact on the U.S. Economy and Specific Industry Sectors*.

⁵*Ibid.*

⁶Persaud S. (2019). *U.S. Agricultural Exports Supported 1.2 Million Full-Time Jobs in 2017*. Available from <https://www.ers.usda.gov/data-products/agricultural-trade-multipliers/>.

part of these agreements and work with our partners to ensure the implementation of science-based trade standards. Trade agreements with both established and emerging partners must respect the international trade principles enshrined in institutions like the Codex Alimentarius.

IV. Conclusion

The USMCA builds on 25 years of successful food and agriculture trade with Canada and Mexico, our closest neighbors and trading partners. Increased market access, streamlined customs procedures, and enhanced standards for biotechnology are just a few of the improvements included in this 21st-century agreement. NASDA urges Congress and the administration to bring the USMCA into force as quickly as possible. With ratification of the USMCA in the rearview mirror, the full force of the federal government can focus on tearing down trade barriers for U.S. agriculture around the world.

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Trade Works for America is a nonpartisan, 501(c)(4) coalition advocating for passage of the United States-Mexico-Canada Agreement (USMCA). The coalition is led by former Senator Heidi Heitkamp (D-ND) and former Republican Governors Association Executive Director Phil Cox.

As you are aware, the USMCA is a trilateral free trade agreement meant to replace the North American Free Trade Agreement (NAFTA) negotiated by the United States, Mexico, and Canada in 1994. The USMCA is a modernized, updated agreement that addresses a number of the issues we have seen with NAFTA over the past 25 years, including issues regarding the outsourcing of jobs and enforcement. The USMCA will benefit many sectors of the United States economy, including American innovators and technology companies, autoworkers, farmers and ranchers, energy workers, manufacturers, and small businesses.

Passage of the USMCA will not only maintain the 14 million jobs¹ supported by trade with our closest neighbors, but according to a report by the International Trade Commission (ITC), the agreement will add an estimated 176,000 new American jobs, as well as contribute \$68.2 billion to the U.S. economy.²

American Innovators Win

High-tech industries are essential to the American economy. They provide high-skilled, high wage jobs for America's workers. Technological superiority is also vital to our national security. It is imperative that America remains the world leader in the technology industry. NAFTA was approved in 1994 when technology was vastly different than today. USMCA recognizes those changes and modernizes the agreement to support 21st century jobs and protect our national interests.

The USMCA includes ways to protect Intellectual Property (IP), which will protect U.S. technology firms and start-ups, and by extension, protect U.S. technology jobs. Additionally, the agreement includes provisions to support the expansion of digital trade in a fair and balanced way, prohibiting customs duties on products that are traded electronically. The USMCA will also help to limit forced technology transfer, preventing Mexico and Canada from undercutting American businesses and jobs through the theft of source code and algorithms.

American Autoworkers Win

The USMCA will support growth in the auto industry while ensuring that a level playing field protects American jobs and businesses. The agreement requires Mexico to pass certain labor reforms, including giving workers the right to collective bargaining if they so choose. Mexico has already passed these labor reforms in compliance with the agreement.

The USMCA also includes new labor protections to protect workers in all three countries. Specifically, the USMCA will prevent Mexico from undercutting American autoworkers and underpaying their own workers by requiring that 40 to 45 percent

¹ U.S. Chamber of Commerce.

² United States International Trade Commission.

of auto content be made by workers earning at least \$16.00 per hour. The USMCA's Labor Value Content (LVC) formula is a completely new formula not used in any previous U.S. trade agreements, and it specifically limits the amount of research and development costs as well as technology costs that can be used in the calculation of the LVC to ensure that the calculation emphasizes high-wage manufacturing costs.³ This reform will help prevent outsourcing of American auto jobs.

Mexico has already made several concrete steps towards meeting its obligations under the USMCA, particularly as it relates to labor enforcement. Earlier this year, Mexico enacted landmark labor reforms to fulfill its obligations under the agreement. Mexico was also the first of the three nations to ratify the agreement and recently hosted a congressional delegation to provide additional insight into the steps Mexico has taken to comply with the USMCA.

American Farmers and Ranchers Win

The USMCA is supported by the American Farm Bureau, farmers, and ranchers across the country. That's because this modern trade agreement will provide new access to American agricultural products while protecting farmers and ranchers from unfair labor and environmental practices in other countries.

The USMCA will open up Canadian markets to American dairy products after years of unfair practices. Under current law, many U.S. products are subject to tariffs from Canada that are as high as 313.5 percent.⁴ Under the USMCA, the number of dairy, poultry, and egg products that can be exported from the U.S. to Canada without being subject to tariffs will greatly increase. In fact, under the USMCA, the amount of tariff-free egg products sold to Canada will increase by 600 percent (1.67 million to 10 million dozen eggs).⁵ The deal will continue to allow U.S. farmers to access \$39 billion⁶ in exports and support the 325,000 U.S. jobs that are supported by agricultural exports.⁷

American Energy Wins

The energy sector continues to play a central role in North American trade, representing tens of billions in imports and exports as well as millions of American jobs. The USMCA is a modernized trade agreement that renews commitments to market-opening practices and secures American energy security and independence.

The agreement will ensure the free flow of energy within North America by maintaining the zero-tariff policy on energy products traded between the three countries. This will ensure energy costs remain affordable for American consumers, while also strengthening North American energy security and independence. The USMCA will also safeguard U.S. investors and provide needed confidence and certainty, from the practice of "direct expropriation," whereby the Mexican government takes private American investments to use for its own purposes.

American Manufacturing Wins

American manufacturing jobs rely on certainty in the North American market, the biggest U.S. export market in the world. Manufacturers support the USMCA because it gives them needed certainty while protecting the 2 million jobs that are dependent on exports to our North American trading partners. The National Association of Manufacturers (NAM), the largest manufacturing association in the nation, supports the quick consideration and implementation of the USMCA.

The same LVC calculation that will protect American autoworkers and prevent outsourcing will also protect American manufacturing jobs and keep manufacturing jobs in the United States. Additionally, the agreement will modernize NAFTA and open up additional access for manufactured goods. Overall, the agreement will support the more than 2 million manufacturing jobs that rely on trade with Mexico and Canada.⁸ Not only will the agreement support U.S. manufacturers, it will also support small businesses; many of the U.S. manufacturers that export to Canada and Mexico are small or medium-sized enterprises.

American Small Businesses Win

Many Americans believe that free trade agreements only help larger corporations and big companies. The fact is that small businesses account for 98 percent of the

³ *Ibid.*

⁴ Congressional Research Service.

⁵ Office of the United States Trade Representative.

⁶ American Farm Bureau.

⁷ Office of the United States Trade Representative.

⁸ National Association of Manufacturers.

United States' exporters,⁹ and tariff and non-tariff barriers can disproportionately affect these businesses that do not have the resources to comply. This modern trade agreement will provide new access to Mexican and Canadian markets while protecting business owners' intellectual property and limiting the regulatory burdens of exporting to other countries.

The USMCA contains a number of first-of-its-kind small business provisions, including the establishment of a standing, trilateral committee to collaborate on and expand opportunities for small and medium-sized businesses. The agreement also helps lower barriers to e-commerce, raising the minimum cost of exports shipments that are subject to taxes in Mexico and Canada. It also encourages the involvement of diverse and under-represented small businesses with the creation of a framework for engagement with these partners. Finally, the agreement makes it easier for small businesses, including smaller sellers that operate exclusively online, to participate in the 21st century economy, prohibiting duties on products like e-books, software and games.

Bipartisan Support for the USMCA

The USMCA has received support from experts and elected officials across the political spectrum. This strong bipartisan support demonstrates that the agreement is an effective compromise and a balanced trade deal for all parties.

Recently, the Progressive Policy Institute (PPI) released a report stressing the importance of "getting to yes" on the USMCA and detailing the many benefits of the agreement. The report stresses the importance of the North American economic relationship and the 12 million American jobs this partnership supports. According to PPI, Canada is the number one goods export market for over 30 states, and Mexico is the top market for an additional seven states. Specifically, the report highlights how America's small and medium-sized businesses rely heavily on exports to Canada and Mexico.

In this report, PPI provides an analysis on how the USMCA modernizes and improves the North American Free Trade Agreement (NAFTA) to ensure it is a better deal for the United States.

According to the report, the USMCA will:

- Establish strong and enforceable labor and environmental rules, which were not included in the text of NAFTA;
- Establish the most comprehensive set of rules on digital commerce in any international trade agreement;
- Cut red tape for U.S. small businesses with the first chapter on small and medium-sized businesses in a U.S. trade agreement;
- Provide greater access to Canada's once-restrictive dairy market;
- Enhance protections and enforcement for copyrights, patents, trademarks, and trade secrets; and
- Update provisions on cross-border data transfers, to allow more financial services trade among the three nations.

Furthermore, PPI's analysis shows that boosting the ability of small businesses to trade and export with our neighbors will "democratize" trade by allowing more diverse businesses to thrive.

PPI goes on to explain that trade with Mexico and Canada has been hugely beneficial to local American communities:

- The San Diego region's economy is now larger than Vietnam's;
- Texas border cities have been transformed by cross-border trade, creating thousands of small businesses and cutting unemployment; and
- Kansas City, although located nowhere near either border, sends over half of their exports to Canada and Mexico, providing significant support to the local economy.¹⁰

Additionally, Republican governors unanimously called for passage of the USMCA in a letter released on June 20, 2019. The letter to Congressional leadership urged ratification of the agreement to ensure continued economic growth. In part, the letter stated, "[c]ompletion of the trade agreement is critical to our states as we seek

⁹U.S. Small Business Administration.

¹⁰Progressive Policy Institute.

to boost economic development and encourage new investment that leads to job creation.”¹¹

Former Iowa Governor, and former Agriculture Secretary under former President Barack Obama, Tom Vilsack, has also been a strong supporter of the agreement, urging ratification of the USMCA as quickly as possible.¹²

A group of 14 House Democrats recently urged Speaker Pelosi to bring the USMCA to the House floor before the end of the year. These 14 members represent a variety of regions and districts across the country, demonstrating how the USMCA will benefit every state and every industry spanning the nation. The letter urges negotiations to continue over August recess and notes that Canada and Mexico are the United States’ most important trading partners.¹³

Conclusion

We believe the USMCA represents a fair, balanced, and rules-based approach to free trade with our closest neighbors, updating and modernizing our past agreements to reflect our modern economy and implementing important enforcement mechanisms that fell short under NAFTA.

This is an agreement that will benefit American workers and small businesses. The USMCA requires commitments from our trading partners in Mexico and Canada to ensure the United States is operating on a level playing field and trading with countries that uphold high-quality labor and environmental standards.

Notably, the USMCA also includes a safeguard to address concerns and issues going forward. The agreement can be reviewed and reopened every 6 years, so the U.S. will never again be trapped under an outdated agreement like NAFTA, ensuring the USMCA continues to support the best interests of the American economy and American worker.

Trade Works for America believes the USMCA is the best path forward for modernizing our important trade relationship with Mexico and Canada, and we encourage Congress to move forward with consideration of the agreement.



¹¹ Republican Governors Association.

¹² *Sioux City Journal*.

¹³ *Axios*.