



STRENGTHEN & IMPROVE NAFTA WITH BENEFICIAL UPDATES

Policy Factsheet

Why NAFTA Matters to Washington

Washington state has a vibrant trade relationship with Canada and Mexico that supports 330,000 Washington jobs.¹ ² Canada is the second largest destination for Washington's exports, and we run a consistent trade surplus with Mexico.³

With 20 years of integration between our economies, our supply chains are tightly woven with our NAFTA partners. For example, 40% of the content of Mexican imports originated in the United States.⁴ Similarly, Washington's manufacturers and aerospace companies rely on Canadian and Mexican suppliers, while our consumers depend on affordable imports from our NAFTA partners.

If the United States imposes tariffs on imports from our NAFTA partners, Canada and Mexico would likely retaliate by taxing U.S. exports. Damage to trade with Canada and Mexico would hurt Washington's businesses and consumers alike.

WCIT advocates for a modernization of NAFTA that opens more sectors of the Canadian and Mexican economies to U.S. exports, updates digital trade rules, streamlines processes, and improves and enforces standards.

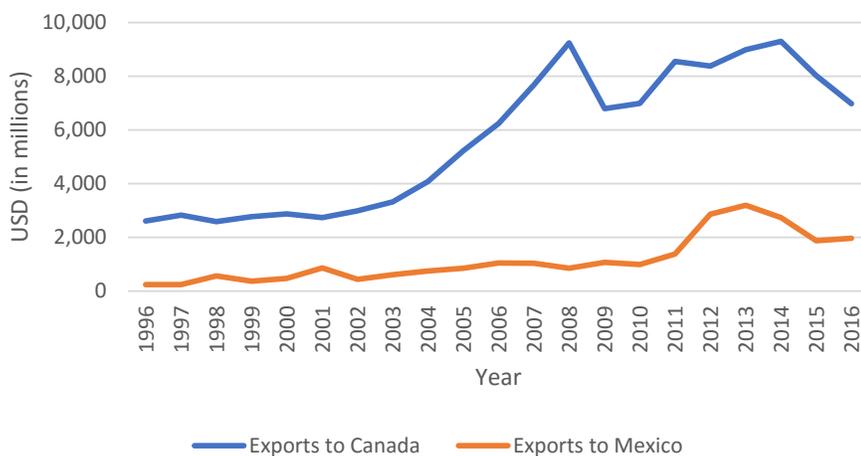


Washington consumers rely on fruit and vegetables imports from Mexico



Washington companies have many Canada and Mexico locations, such as Nordstrom and Microsoft in Vancouver

Total Exports to NAFTA Partners



Washington and NAFTA Facts

Mexico is the **6th** largest aerospace supplier to the U.S.,² supplying **\$34 million** each year in aerospace parts for our local aerospace companies.³

Consumers rely on agricultural imports from Mexico, such as bananas, avocados and tomatoes. Washington imported **\$112 million** in Mexican agricultural products in 2016.³

Washington's exports to Canada increased **200%** between 1996 and 2015. Exports to Mexico rose **700%** in this period.³

Many Washington companies have offices and stores in Mexico and Canada. For example, Starbucks has nearly **1,400** stores in Canada, and Costco has over **37** stores in Mexico and **95** in Canada.



Recommendations for an Updated NAFTA:

Open previously closed sectors in the Canadian and Mexican markets

While NAFTA has been in place for over 20 years, there are still sectors of the Canadian and Mexican markets that are closed or limited to U.S. exports. For example, Canada tightly restricts access to its dairy market, which limits opportunities for Washington's dairy farmers, and Washington wines are not allowed to be sold in British Columbia grocery stores.

Update digital trade rules

Cross-border data flows are the fastest growing component of modern trade. The Trans-Pacific Partnership (TPP) made great strides in updating digital trade rules, and ideally NAFTA will include these improvements. Freeing up cross-border flows of digital information and reducing forced localization of data storage, promoting a free and open internet, and strengthening cyber security and IP protection are just a few ways digital trade rules can be improved.

Maintain current NAFTA benefits

NAFTA benefits both U.S. businesses and consumers, so we must ensure tariffs do not increase and non-tariff barriers continue to be reduced. Canada and Mexico are some of the most important markets for many of our exporters, and many Washington businesses source components or retail goods from our NAFTA partners, so increases in tariff and nontariff barriers on either imports or exports, or an increase in regional value content (RVC) would be harmful.

Improve regulatory cooperation

Though NAFTA already goes above and beyond the Trade Facilitation Agreement (TFA), more can be done to remove or modernize unnecessary regulatory barriers, streamline rules, regulations and data requirements, and implement consistent enforcement.

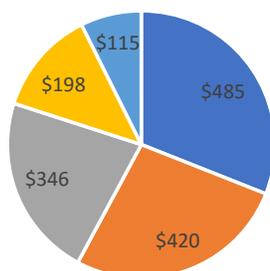
Raise the *de minimis* threshold

Since NAFTA was negotiated, e-commerce has boomed and customers buy products online from all over the world. The *de minimis* level in Canada is only \$20 and in Mexico is only \$50, meaning if residents of those countries order a product online from another NAFTA country, they must personally pay taxes on anything valued above that amount. This prevents successful e-commerce between NAFTA partners and must be addressed to help Washington's online retailers.

Ensure high standards are included in the agreement and enforced

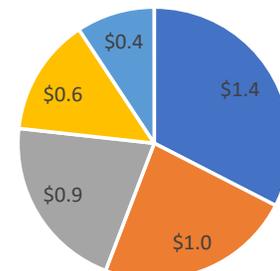
Trade agreements usually have strong rules, but they often are not enforced. When our trade partners break the rules, it makes it difficult for our companies to compete. Government subsidies for certain industries or new regulations put in place solely to prevent sales of U.S. products are a few examples of ways trade agreement partners, Canada and Mexico included, have sought to get around the high standards set forth in trade agreements. We must make sure that updated NAFTA rules will be enforced. In addition, WCIT recommends NAFTA adapting the high standard rules put forth in the TPP, such as the high, enforceable labor and environmental standards. Raising these standards in Mexico enables Washington's workers to compete on a more equal playing field.

WA Top Exports to Mexico (in millions)



■ Aircraft and Parts ■ Minerals, Oil, Fuel ■ Agricultural Products
■ Industrial Machinery ■ Electric Machinery

Wa Top Exports to Canada (in billions)



■ Agricultural Products ■ Minerals, Oil, Fuel ■ Aircraft and Parts
■ Industrial Machinery ■ Electrical Machinery

Citations

1 Government of Canada, *Canada and the United States – Washington, 2017* | 2 Government of Mexico, *Pro Mexico, 2017* | 3 WISER Trade, *2017* | 4 Koopman, Powers and Zhi, National Bureau of Economic Research, "Give Credit Where Credit Is Due: Tracing Value Added in Global Production Chains," 2010