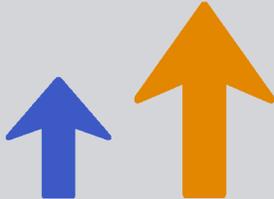




MODERNIZE NAFTA WITH BENEFICIAL UPDATES

Policy Factsheet

Why NAFTA Matters to Washington



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



40% of the content of Mexican imports originated in the United States.⁴



Washington state has a vibrant trade relationship with Canada and Mexico that supports 330,000 Washington jobs.^{1 2}

With 20 years of integration between our economies, Washington supply chains are tightly woven with our NAFTA partners. It's vital that the United States maintains its close relationship with its most valuable trading partners.

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

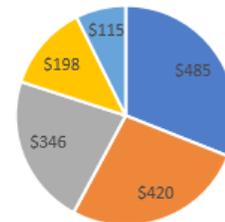
NAFTA and Washington Fast Facts

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

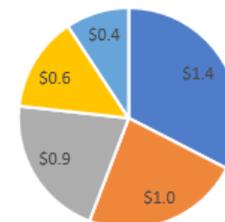
Many Washington companies have offices and stores in Mexico and Canada. For example, Starbucks has nearly **1,400** stores in Canada, and Costco has over **37** stores in Mexico and **95** in Canada.

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

Recommendations for an Updated NAFTA:

Increase market access for agriculture, goods and services

While our NAFTA partners' markets are relatively open to U.S. goods and services, some sectors remain a challenge. For example, Canadian dairy laws favor domestic producers and restrict access for U.S. dairy exports, and Canadian laws prevent U.S. wines from being sold in grocery stores in many Canadian provinces. In manufacturing and services, there are more opportunities to lock in better market access. At a minimum, we should secure new market access opportunities that were realized in TPP.

Update digital trade rules

Since NAFTA was negotiated 25 years ago, it must be updated to reflect the digital economy and 21st -century-way of doing business. The TPP made great strides in updating digital trade rules, and ideally NAFTA will include these improvements and establish a framework to govern and support the growth of digital trade. Data should be free to flow across borders without requiring localization of servers and computing facilities - and the internet should remain free and open.

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. Increases in tariff and nontariff barriers on either imports or exports, or stricter rules of origin with increased regional value content (RVC) requirements would be harmful.

Improve regulatory cooperation and customs facilitation

U.S. exporters often face delays with customs procedures in Mexico, such as inadequate prior notification of changes, inconsistent interpretation of regulatory requirements, and uneven enforcement of labeling rules and other standards. To address these concerns, there should be increased transparency in customs processes, advance notice for changes in regulations, and expedited procedures for express shipments. It would be beneficial for Customs & Border Patrol (CBP) to coordinate with Mexico and Canada on cross-border data sharing and harmonization. In addition, streamlining regulations to align product testing and certification would be beneficial to many Washington industries. For example, equivalent organic certification requirements between the three countries could facilitate increased Washington agricultural exports.

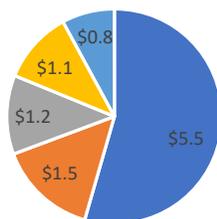
Raise the *de minimis* threshold

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.

Address technical barriers to trade

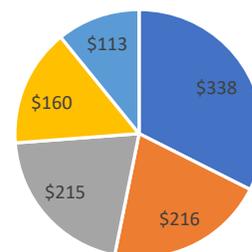
Discriminatory regulations such as sanitary and phytosanitary (SPS) measures that are not based on science should be eliminated, such as the regulations that impede market access for Washington fresh potatoes in Mexico. A modernized NAFTA should make some of the improvements in SPS measures included in TPP, such as establishing rules to distinguish between true science-based safety measures and those only intended to block U.S. exports, and creating a rapid response mechanism to address conflicts.

WA Top Imports from Canada (in billions)



- Mineral Fuel
- Agricultural Products
- Special Classification Provisions
- Wood Products
- Aircraft and Parts

WA Top Imports from Mexico (in millions)



- Vehicles
- Industrial Machinery
- Electric Machinery
- Aircraft and Parts
- Agricultural Products

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