We Make Global Trade Happen

June 12, 2017

Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

ATTN: Edward Gresser, Chair of the Trade Policy Staff Committee

Re: NAFTA Negotiations
Docket No.: USTR-2017-0006

Dear Assistant USTR Gresser:

On behalf of the American Association of Exporters and Importers (AAEI), we respectfully submit the comments below for inclusion in the United States' negotiating objectives regarding modernization of the North American Free Trade Agreement (NAFTA) with Canada and Mexico published by the U.S. Trade Representative (USTR) in the Federal Register, 82 Fed. Reg. 23699 (May 23, 2017).

AAEI has been a national voice for the international trade community in the United States since 1921. AAEI represents the entire spectrum of the international trade community across all industry sectors. Our members include manufacturers, importers, exporters, wholesalers, retailers and service providers to the industry, which is comprised of customs brokers, freight forwarders, trade advisors, insurers, security providers, transportation interests and ports. Many of these enterprises are small businesses seeking to export to foreign markets. AAEI promotes fair and open trade policy. We advocate for companies engaged in international trade, supply chain security, export controls, non-tariff barriers, import safety and customs and border protection issues. AAEI is the premier trade organization representing those immediately engaged in and directly impacted by developments pertaining to international trade. We are recognized as the technical experts regarding the day-to-day facilitation of trade, including the administration of and compliance with customs laws of the United States, including Free Trade Agreements such as NAFTA.

General Comments

As an initial matter, AAEI supports free trade agreements (FTAs) in general, and NAFTA, in particular. NAFTA has expanded the economies of all three (3) countries, including the U.S. - and it has become an integral part of the value chain for many U.S. businesses. Many multinational companies regionalize their supply chain and source components and finished goods from all three countries precisely because NAFTA exists, and the manufacturers and the consumers in all three countries benefit.

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The USTR's renegotiation of NAFTA is also viewed by AAEI as an opportunity to modernize NAFTA by including provisions that will reflect the current economic realities of the 21st Century and the evolution of global sourcing, supply chains, and future sustainability. Therefore, we hope that these comments are an initial phase of consultation with the U.S. trade community and that the Administration will have a continual comment process on NAFTA.

Specific Comments

1. General and product-specific negotiating objectives for Canada and Mexico in the context of a NAFTA modernization.

It may go without saying but it is important that every proposal be evaluated from the perspective of both importing into the U.S. and exporting from the U.S. Trade is a two-way street. Changes to the rules of origin (ROOs) that make NAFTA benefits more difficult when importing into the U.S. will also make those benefits more difficult for U.S. producers exporting to Mexico and Canada.

Negotiators should prioritize items that will make the NAFTA countries more globally competitive. Below are a number ideas for possible cost savings and potential job creation:

- One of the challenges with NAFTA from the beginning has been the complexity of the ROOs. AAEI acknowledges the importance of clear and concise rules of origin and appreciates the need for different specific ROOs depending on the industry. However, because those ROO are generally written at the tariff item level, and the amount and complexity of the supporting documentation is so extensive, many SMEs have weighed the cost of compliance against the duty savings and determined the cost savings which results from a free rate of duty is too little considering the cost of compliance. Bearing in mind the greatest job creation is occurring at the SME level, AAEI recommends that any updates to the ROOs be written in way which encourages SMEs to take advantage of the resulting duty savings, whether they are importing or exporting.

  Similarly, when it comes to SMEs, to support and enhance their growth and expansion, it is important to simplify the import and export processes as these companies have limited resources and limited staff, but are an ever-expanding portion of the engine driving economic growth and job creation in the U.S.

  AAEI represents companies in a broad range of industries, and thus, we defer to the trade associations that represent single industries (i.e., vertical associations) to recommend changes to specific ROOs.

- Annex 401 currently includes rules easing the regional value content (RVC) requirements for automotive products under certain circumstances (i.e., the "new plant" and "plant averaging" provisions.) Negotiations should consider expanding the "new plant" and "plant averaging" provisions to other industries.

- Article 307 provides for Goods Shipped for Repair or Alteration and that a NAFTA country may not impose customs duties on most goods imported temporarily from another NAFTA country for purposes of repair or alteration, regardless of their origin, or impose customs duties on a good when it is re-imported after having been repaired or altered in another NAFTA country. These provisions should be retained.

- For trade in goods between the U.S. and Canada, U.S. export statistics are essentially based on Canada's import statistics. This means that U.S. companies exporting goods to Canada are not required to file – or pay the cost of filing - export declarations. The implementation of a similar rule for trade between the U.S. and Mexico would eliminate the significant costs associated with the current redundant filings.

- Where there is disagreement between the countries of import and export regarding classification, certifiers should be allowed to seek alignment between the three countries on classification through a joint rulings process or other mechanism, such as 'mutual recognition' for rulings in one country to be recognized in another country. Harmonization among the NAFTA countries on classification is important because the NAFTA ROO are specific to the tariff item.

- AAEI believes that the renegotiation of NAFTA is a good opportunity to review the rules of origin, simplify and add specificity where needed, to facilitate transparency within compliance. Among the aspects where NAFTA is outdated is the number of "exception rules." For example, European agreements specify exactly which Harmonized Tariff Schedule (HTS) numbers are exempted, but NAFTA tends to use text descriptions, which requires manual interpretation. AAEI believes it would be beneficial to add more specificity to those exceptions, like what is done in Europe. Since the adoption of NAFTA in 1993, software providers have made significant progress in developing automated systems that enable companies to comply with FTA rules. Using HTS numbers instead of text descriptions would be a big help for software providers by reducing the amount of customization that could be needed for companies using systems for managing NAFTA specifically.

  With the hundreds of FTAs that exist globally these days, more and more companies are turning to automated solutions to not only take advantage of, but also manage their FTAs. Without these automated solutions, companies would be managing this process manually which is too cumbersome, time consuming, and can be prone to error resulting in non-compliance. Therefore, having ROOs that can effectively be managed by automation is important.

2. Economic costs and benefits to US producers and consumers of removal of any remaining tariffs and removal or reduction of non-tariff barriers on articles traded with Canada and Mexico.

AAEI suggest that the USTR consider several policy and technical changes during the renegotiations of NAFTA, including:

- Make NAFTA an importer-oriented FTA rather than an exporter-oriented agreement, which is the current trend.[1] We recommend that NAFTA be amended to add flexibility by permitting the importer to take on the responsibility for ascertaining the eligibility of goods to qualify for duty preference under the rules of origin, which is consistent with the customs regulations holding importers of record (IORs) responsible for failure to comply with the NAFTA rules. If the importer has the necessary support and standard criteria to support NAFTA, then they should be able to comply for making a claim under NAFTA. If there is some discrepancy in the backing of the support that the importer holds by the exporter, then perhaps there should be an opportunity to contact the exporter to verify the information.

[1] We acknowledge that certification by the exporter/manufacturer works because they are in the best position to know the underlying data necessary to meet the complex ROO. Among our primary concerns is that sellers should not have to disclose confidential financial data like costed bills of material to their importer/customers. If necessary additional verification is required, customs auditors should be given greater flexibility to conduct verifications in the country of export.

Moreover, adding Chamber of Commerce review is superfluous to the process of the exporter issuing the certificate of origin.

- The NAFTA countries should agree to a standard set of criteria for supporting a NAFTA preference claim. For example, more recent trade agreements are moving away from Regional Value Content (RVC) requirements. Rules of origin should become less restrictive to the trade community, and should not be used as non-tariff barrier and we are concerned about increasing RVC requirements or a switch from tariff shift rules to RVC for certain chapters. We caution the negotiators about making any changes to the NAFTA certificate language as any such changes will require costly software changes.

- NAFTA verification should be consistent among all three (3) NAFTA countries.

- We recommend that U.S. negotiators should look to Canada's process for value reconciliation through the B2 process (e.g., individual, blanket B2, and X-Type for Customs Self-Assessment importers).

- All entries claiming a preference under NAFTA should be filed through a single window to reduce or eliminate the filing of certificates. NAFTA should be modernized to allow for the acceptance of electronic signature for the certification process in all three countries. The electronic signature should be generated by software that identifies and authenticates the signer and confirms the signer's approval. Acceptance of this type of electronic signature is distinct from NAFTA's current and outdated practice of requiring certificates that are either hand-signed or that include an electronically reproduced image of an original handwritten signature.

- Mexico should adopt a value reconciliation process. Because there is no mechanism for correcting entries for goods into Mexico for quantity or value discrepancies, many companies elect to conduct a full recount of shipments at the border in Mexico. This constitutes a non-tariff trade barrier, and should be abolished. AAEI strongly recommends that all three (3) countries work to simplify the requirements under NAFTA. Once NAFTA simplification is agreed upon, allow sufficient time to all parties to test and implement changes.

- We suggest that all three (3) countries work to harmonize customs procedures and the ability of importers to make post entry corrections on Mexican declarations, which is available in Canada and the U.S.

3. Treatment of specific goods (described by HTSUS numbers), including comments on:

a. Product-specific import or export interests or barriers

AAEI believes that the renegotiation of NAFTA is a good opportunity to resolve the country of origin issue for diluents used to facilitate the flow of oil through pipelines transiting Canada and the United States, as well as the opportunity to resolve the challenges currently presented under NAFTA with the documentation required to support the origin of oil and natural gas imported into the United States.

As a general comment on ROOs, we request that the negotiators do not implement any ROO which are more stringent than current law without a significant time to allow companies to change their complex supply chains. Any RVC increase should be "staged up" like the practice during the first few years of the initial NAFTA implementation.

AAEI suggests that negotiators maintain the current exceptions to Tariff Rate Quotas (TRQs) in NAFTA.

Ideally, no changes to duties or quotas for agricultural products will be proposed during NAFTA negotiations. However, for agricultural products exported and imported among the NAFTA parties, it is critical for any change in duty or quota treatment proposed during negotiations to be communicated to exporters and importers sufficiently in advance of the crop planting season to give the exporters and importers time to make business decisions. Exporters and importers of agricultural products

often devote significant resources and enter sales and purchase arrangements well ahead of planting and, therefore, are dependent on the predictability of the anticipated duties and quotas for their products. For example, Canada has long argued that the U.S. restricts certain commodities by quotas, such as sugar containing products, and others.

AAEI implores the negotiators not to impose duties on products where they currently do not exist as such duties will make all NAFTA countries uncompetitive.

NAFTA marking rules should be modernized, made uniform among the member states and clearly included in the NAFTA agreement to eliminate the complex qualification criteria and considerations of qualification under multiple set of rules. The current applicable rules are:

- Annex 311 of the NAFTA states the following: "each Party may require that a good of another Party, as determined in accordance with the Marking Rules, bear a country of origin marking, when imported into its territory, that indicates to the ultimate purchaser of that good the name of its country of origin."

- The NAFTA Marking Rules for the U.S. are stated in 19 C.F.R. § 102.20 and they are a unique set of rules that do not correlate with the general non-preferential origin rules, nor the NAFTA preferential origin rules.

For sectors that have developed based on current NAFTA rules, their supply chains are highly integrated and globally competitive under NAFTA. Any changes to the current methodology could result in unintended consequences, including disruption to U.S. production and the loss of preferential access to Mexican and Canadian markets for certain U.S.-built vehicles, which would adversely impact U.S. jobs. Therefore, changes should only be undertaken after it has been demonstrated that they will reduce burdens and red tape to help manufacturers improve their competitiveness in North America.

b. Experience with particular measures that should be addressed in negotiations; and
c. Addressing any remaining tariffs on articles traded with Canada, including ways to address export priorities and import sensitivities related to Canada and Mexico in the context of the NAFTA.

AAEI's members are concerned about the advanced rulings process as it has evolved over the years regarding NAFTA issues. Therefore, we suggest that negotiators work to develop a joint rulings process which is expedited and binding on all three (3) NAFTA countries.

4. Customs and trade facilitation issues that should be addressed in the negotiations.

It has been a long-time goal of AAEI to restore eligibility of U.S. exporters to obtain full refunds of Federal duties, taxes and fees through drawback for exports from the U.S. to Canada and Mexico. Article 303 of NAFTA includes restrictions to duty drawback and deferral restrictions for U.S. manufacturers exporting to Canada and Mexico. These provisions place U.S. manufacturers at a substantial disadvantage compared to foreign competitors when exporting products to Canada or Mexico. Since 1789, duty drawback has benefitted U.S. exporters by allowing a refund of Customs duties, taxes and other fees imposed on imported goods that are used as inputs in the production of manufactured products that are later exported, or where the imported good is substituted for the same or similar American made good that is later exported. This process allows U.S. manufacturers and exporters to reduce costs and remain competitive in pricing their goods when they are exported. The policy rationale supporting duty drawback is as simple as it is powerful: to increase the competitiveness of U.S. manufacturers that export and to create and maintain U.S. jobs.

Duty drawback and duty deferral are not unique to the United States. In fact, duty drawback and deferral regimes are utilized by most countries around the world, including all nations that were included in the Trans-Pacific Partnership and NAFTA. Duty drawback is the last remaining export promotion program allowed by the World Trade Organization (WTO).

To their credit, Canada and Mexico have created duty relief programs that work around the drawback restrictions in Article 303 of NAFTA. Canada and Mexico minimize the duty drawback restrictions on their manufacturers and workers using programs that target duty rate reductions for inputs used in specific export industries. These programs include Sectoral Promotion Program in Mexico and targeted duty reductions in Canada. Thus, U.S. exporters and workers are further disadvantaged under NAFTA. This does not equal fair trade or a fair trade agreement. ***Without a correction, the incentive will remain for companies to shift manufacturing operations to non-U.S. locations, such as Canada or Mexico, where drawback is not restricted.***

There were two primary reasons for restricting drawback in a free trade agreement, both of which have been proven false. First, it was believed that drawback restrictions were necessary to create a disincentive for the development of export platforms; yet such restrictions have had an effect adverse to that intent. Second, drawback was considered an export subsidy that should be eliminated; however, according to the WTO's Agreement on Subsidies and Countervailing Measures, drawback does not constitute an export subsidy. The rationale for restricting drawback rights in FTAs no longer exists, and no empirical evidence has surfaced that would lead one to believe otherwise.

The duty drawback and deferral restrictions in NAFTA should be repealed to place U.S. manufacturers on a level playing field with their foreign competitors and to help increase growth in American jobs and the U.S. manufacturing sector, and thus increase U.S. exports to Mexico and Canada. As previously mentioned, both Canada and Mexico have provided circumvention measures for their domestic manufacturers exporting to the other NAFTA-member countries, to their financial gain. **Drawback supports 331,168 U.S. manufacturing and export jobs, based on $55.5 billion in exports**.[2] AAEI supports the comments submitted by the Duty Drawback Coalition for repeal of Article 303 of NAFTA.

AAEI would like to see the NAFTA countries harmonize their respective statute of limitations for claiming a duty preference claim under NAFTA.

AAEI believes that the three NAFTA countries have enough experience with trusted trader programs to leverage this risk assessment methodology to other government agencies beyond customs, particularly those which participate in each country's Single Window because they have some regulatory authority over imports and exports. We believe that government-wide adoption of a trusted trader program should enhance enforcement of trade laws.

Finally, as we noted in the opening section of our comments, AAEI member representatives are the technical experts and trade compliance professionals who are responsible for complying with NAFTA for their corporations. Thus, they often must travel to Canada and Mexico for NAFTA verification audits as well as trusted trader program audits and site visits (e.g., C-TPAT). Therefore, we respectfully request that the negotiators provide for the free movement of NAFTA region citizens and legal residents between the three countries for work purposes if the citizens and legal residents are employed by a company in the country of citizenship.

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[2] These jobs (and their respective industries) have been, and will continue to be, the ones that are the most adversely affected by any restrictions to, or elimination of, duty drawback in a free trade agreement. Although the total number of jobs in the labor force might theoretically remain constant, closer analysis will show that the jobs that will be gained will be lower quality jobs in the retail and services sectors, while those that are lost will be the higher quality jobs in the manufacturing sector, particularly those jobs involved in exported goods. In a paper entitled "Fast track to lost jobs: Trade deficits and manufacturing decline are the legacies of NAFTA and the WTO", author Robert E. Scott of the Economic Policy Institute writes that "The manufacturing sector, where the trade deficit rose 158.5% between 1994 and 2000, shouldered 65% of the surge in job losses during that period."

6. Any unwarranted sanitary and phytosanitary measures and technical barriers to trade imposed by Canada and Mexico that should be addressed in the negotiations.

AAEI believes that Canada and Mexico should recognize international standards when shipments comply with such sanitary, phytosanitary and other globally recognized safety standards, certifying bodies and accreditation (e.g., Mexico Metrology law for NOM requirements in labeling, etc.).

7. Relevant barriers to trade in services between the United States, Canada, and Mexico that should be addressed in the negotiations.

Among the barriers that AAEI members experience is Mexico's failure to adopt a modern customs bond system for release of imported goods. The U.S. customs bond system is essential to the success of customs commercial operations and is held out to the world as the gold standard whereby customs authorities may immediately release goods to meet the needs of commerce, while separating and postponing final decision-making on revenue, non-revenue, and admissibility issues. The customs bond is an important tool to facilitate trade and the legitimate flow of commerce across borders. While Canada does have a customs bond system, it is paper intensive. Both Mexico and Canada should develop a customs bonding system mirroring the U.S. system.

NAFTA internal regulation of the member countries should be consistent. Here are some examples where the regulations are different:

NAFTA text	MX NAFTA Internal Regulations	US NAFTA Internal Regulations
Article 503 (a), sets forth that a NAFTA certificate shall not be required for: a) a commercial importation of a good whose value does not exceed **US$1,000** or its equivalent amount in the Party's currency.	Article 31 also requires the **US $1,000** (same amount)	Section 181.22 (d) (iii) of 19 CFR, Title 19, requires a **US $2,500**.
NAFTA Article 504 (1)(b), sets forth an exporter or a producer in its territory that has completed and signed a Certificate of Origin, and that has reason to believe that the Certificate contains information that is not correct, **shall promptly notify** in writing all persons to whom the Certificate was given by the exporter or producer of any change that could affect the accuracy or validity of the Certificate.	Article 33 of the Mexico NAFTA regulations sets forth that no sanction shall be imposed to the MX exporter/producer when such **notification is performed prior to an investigation procedure**	US Section 181.11 of the 19 CFR, Title 19 sets forth such notification must be performed within **30 calendar days** after the date of discovery of the error

Also, the terms as defined under NAFTA Article 201 can bring confusion when interpreting the rest of text treaty, for example: Article 303, Section (6)(c)(iii), says: (iii) *"delivery for use in joint undertakings of two or more of the Parties and that will subsequently become the property of the Party into whose territory the good was deemed to be imported;"* When referring to a Party, does it mean the government of the party or a person of a Party?

Finally, depending on the industry, company, product, amount of duties saved, etc., Mexican Customs NAFTA government auditors implement the NAFTA verification procedures in a different manner (i.e. giving extensions, number of documents they review, Power of Attorney formalities). We understand that it is the view of Mexican auditors that if it is not prohibited by law, they can be flexible. Unfortunately, some times this flexibility is not always for the benefit of the companies. Therefore, the

NAFTA verification procedures should be more specific in the NAFTA treaty as well as on the internal regulations of the member countries.

8. Relevant digital trade issues that should be addressed in the negotiations.

AAEI believes that the United States should propose the inclusion of the electronic commerce provision from the Trans-Pacific Partnership (Chapter 14) into NAFTA with the following changes:

- E-commerce implementation regulations should be carefully crafted, be clear and easily understood, leave little room for interpretation, and be supported by common processes and tools within all Partner States.

- It is recommended that governments have regular consultation with industry through the entire process, i.e., before regulations are published, to properly determine needed requirements and assess implementation measures.

- A key element of e-commerce should be incorporation of proper safeguards to ensure adequate knowledge about how to handle and protect sensitive information. Personal information, of course, is a critical aspect of "human security" and should be given top priority, but another important example of sensitive information is export controls, which as we know do exist in a commercial environment and often reflect economic and national security considerations. Safeguards with respect to e-commerce impacting these two areas should be common across the NAFTA because a weak link in one country could have an adverse impact on the other countries, since once necessary protections fail, repercussions could be global.

- Governments should have a process to address freedom of information related requests in an e-commerce environment to ensure that information which should not be disclosed is protected, for example by legislation that provides for confidentiality clauses.

- Conditions under which protected e-commerce information should be released pursuant to freedom of information requests, such as government procurement as mentioned in Article 15.2 should be clearly defined, to prevent both inappropriate disclosures and the rights of concerned citizens to have access to information.

- It is recommended that countries which have the capability to provide adequate protections in these and other situations assist partners with less advanced system to ensure an acceptable common denominator.

- We recommend that the negotiators consider a change in the definitions electronic commerce set out in Article 14.1 of the Trans-Pacific Partnership. Specifically, we note that the definition of trade administration documents states:

  > **trade administration documents** means forms issued or controlled by a Party that must be completed by or for an importer or exporter in connection with the import or export of goods;

  This definition should add the word "consignee" in addition to importer and exporter because there are circumstances when a person may be the ultimate purchaser of the goods (i.e., causing the imported shipment) and another party (e.g., and customs broker) serves as the importer of record.

In order for the cross-border flow of e-commerce shipments (i.e., the cross-border movement of physical goods of low value), AAEI strongly believes that the three (3) NAFTA countries should harmonize the *de minimis* level for imports below a certain declared value to be processed under an informal entry. The U.S. recently raised its *de minimis* from $200 per package to $800 per package, while Canada has a $20 (Canadian) threshold and Mexico is $50 per package (or $300 for postal shipments). *See*, section 901 of the Trade Facilitation and Trade Enforcement Act, P.L. 114-125, 130 Stat. 223 (February 24, 2016). Therefore, the raising of the *de minimis* to a common threshold would increase the economic activity among the NAFTA countries and increase the purchasing power of consumers in all three (3) nations.

11. Relevant competition-related matters that should be addressed in the negotiations.

As noted above, AAEI believes that the negotiators should add a provision for e-commerce in the NAFTA renegotiation and strive to harmonize the de minimis threshold so that competition between traditional "brick and mortar" retailers and "e-tailers" is not a result of NAFTA creating distortions to the market if the goal is to improve NAFTA by further integrating the NAFTA economies and level the playing field.

12. Relevant government procurement issues that should be addressed in the negotiations.

AAEI urges the administration to adhere to the WTO Procurement Agreement and maintain U.S. Free Trade Agreement parties as is current practice. U.S. manufacturers have sales models under these considerations and a withdrawal or more complex structure from current practice would harm U.S. productivity and exports. U.S. participation in Buy America/Trade Agreement Act of 1979 as well as, U.S. participation in foreign procurement sales and exports under the WTO GPA are tightly aligned with our global supply chains and adherence to the rules.

15. Issues of particular relevance to small and medium-sized businesses that should be addressed in the negotiations.

AAEI believes that many of the traditional barriers to small and medium-sized businesses (SMEs) can be addressed through the adoption of an e-commerce provision in NAFTA and harmonizing *de minimis*. E-commerce marketplaces are export platforms that enable SMEs to access global markets, but it is government regulations and trade rules which still make it difficult for SMEs to export even in an e-commerce environment.

16. Relevant trade remedy issues that should be addressed in the negotiations.

AAEI believes that anti-dumping rules need to more transparent in order to assist the trade community to comply with these rules. We note that the U.S. retrospective anti-dumping duty assessment system makes it extremely difficult for importers to comply.

AAEI requests that negotiators be mindful that the NAFTA countries should not make it easier to impose safeguards unilaterally as such disruptions to the marketplace make it particularly onerous for companies to plan and maintain supply chains.

17. Relevant state-owned enterprise issues that should be addressed in the negotiations.

We believe that the negotiators should consider allowing the filing of amicus briefs with the panels organized under Chapter 11 to resolve investor state disputes. Permitting interested parties to participate in this process would bring a new level of transparency to the dispute process and garner more support for such provisions to be included in FTAs, which have recently been heavily criticized by non-governmental organizations in recent FTA negotiations.

Finally, when NAFTA was implemented, there was a concern that China would use Mexico as a platform to enter the U.S. market. This fear was unfounded and full integration of U.S., Canada and Mexico supply chains resulted instead. For this reason, AAEI members suggest the consideration of cumulation which is more commonly used for textiles in the U.S. CAFTA and current NAFTA agreements, and warrants expansion for all industries. While the concept of multi-lateral FTAs reduces the burden on industry and offers advantages of increased U.S. productivity and exports to multiple, international markets, an alternative to multi-lateral FTAs could be cumulation. European Union FTAs offer cumulation, bilateral and diagonal, which is a deviation from the principle that goods must be produced entirely in the country of exportation, or have undergone sufficient working or processing there, to qualify as originating goods. Cumulation makes it possible for goods from another free trade partner to be treated the same as those originating in the country of exportation, providing an incentive for a producer or exporter to use input materials originating from a free trade partner country. Based on this rule, input materials of this type must not fulfill the restrictive product specific list rules. Thus, there is less incentive to use input materials from a non-FTA third country, because customs duty must usually be paid at the time of importation for those raw materials.

Conclusion

We hope these comments provide U.S. negotiators with specific, actionable objectives for renegotiating NAFTA. AAEI members are recognized as the technical experts in complying with NAFTA and FTAs, and we welcome the opportunity to lend our expertise to our NAFTA negotiators.

Sincerely,

Marianne Rowden
President & CEO