

June 27, 2017

The Honorable Wilbur Ross
Secretary of Commerce
1401 Constitution Avenue NW
Washington, DC 20230

Dear Secretary Ross:

As Chairman of the Advisory Committee on Supply Chain Competitiveness (ACSCC), and on behalf of the ACSCC, I would like to again congratulate and welcome you to your role as Secretary of Commerce. We look forward to working with you and the Trump Administration on a pro-growth agenda to improve the competitiveness of U.S. domestic and international supply chains, facilitate new job growth within the United States, and increase U.S. exports.

As we have mentioned before, the economies of the North American countries are deeply intertwined. The trade of goods and services among the United States, Mexico, and Canada has increased by 166 percent since 1990, which outpaces the increase of trade between the United States and the rest of the world. More than one in every seven American jobs is now related to trade with Mexico and Canada.

North America has become stronger as a region competing in the global economy by removing barriers to trade and investment within the region, leading to integrated supply chains that are designed to improve the overall performance of the North American industries, consolidate manufacturing and drive down costs. Integrated supply chains have created five million new U.S. jobs through North American Free Trade Agreement (NAFTA)-related exports, with nearly 40 percent of U.S. imports from Mexico originated with American companies.

The ACSCC has identified four key areas critical to the upcoming modernization of NAFTA, and we encourage you to share the detailed information contained in this recommendation with relevant Federal Government agencies. The Committee feels that these issues are vital to the competitiveness of businesses in the United States as they are the driving force behind an efficient, seamless and secure U.S. supply chain that will increase and improve opportunities for U.S. export growth.

- Border Crossing Infrastructure Processes
- Data Sharing and Integration
- Streamlining and Expediting Customs Procedures
- Address Digital Economy and Ecommerce Opportunities

Our ACSCC members stand ready to help bring this Administration, and in particular the policy makers negotiating the new NAFTA terms, fresh ideas and real time solutions from private supply chain industry operators and users to address competitiveness challenges. We stand ready to provide support, advice, and feedback to agency leaders and negotiators during those deliberations on what works and what can be improved in the near term without creating unnecessary disruption in integrated North American Supply Chains. This valuable perspective is based on extensive connections with the industries that employ those individuals and a critical understanding on how to ensure the best deal for our country.

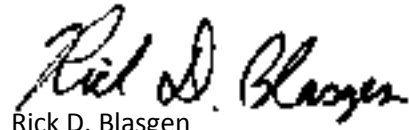
NAFTA modernization provides an opportunity to improve trade processes with Canada and Mexico, making the region more competitive against other trade blocks. Modernization should include provisions to develop trade-related infrastructure at maritime and land ports of entry and airports, and also modify current processes with a holistic approach including to all relevant stakeholders including but not limited to: DOC, DHS, CBP, DOT-FHWA, DOT-FMCSA, GSA, state Departments of Transportation and Departments of Public Safety. It is vital that the administration consult with Mexican and Canadian counterparts to all of the aforementioned government agencies, and, perhaps most critical, consult with a variety of industry stakeholders. It is precisely this reason why our ACSCC offers our support of and recommendations for the modernization of the North American Free Trade Agreement, below.

Modernization of NAFTA

- **Modernizing NAFTA is a Reasonable Goal:** NAFTA was negotiated more than two decades ago. It's perfectly reasonable to consider how to modernize the terms of trade between our countries for the 21st century.
- **Do No Harm.** Interrupting the \$1.3 trillion in annual trade across our borders or reverting to the high tariffs and other trade barriers that preceded NAFTA could put at risk many of the 14 million U.S. jobs that depend on trade with Canada and Mexico.
- **Do It Quickly and Trilaterally.** Uncertainty about the future of America's terms of trade with Canada and Mexico would suppress economic growth and may engender political reactions that undermine U.S. exporters. Further, maintaining NAFTA's three-party framework is critical as transitioning to entirely new bilateral agreements could disrupt the flow of commerce and the U.S. jobs that depend on it.
- **Amend it – Don't end it!** To avoid lost exports and lost jobs, we should amend it, not end it. NAFTA already has an amendment process built in to ensure that it can be modified as needed. We can work within that process while preserving the many parts of the agreement that are working well.
- **Follow the TPA** - U.S. negotiators must consult Congress by following the Trade Promotion Authority (TPA) law, which the U.S. Chamber of Commerce helped pass in 2015. TPA already has the buy-in of lawmakers and the business and farming communities. It will also help build support for a modernization agreement in Congress.
- **Do the "do"able now** – don't let NAFTA negotiations slow down the great work that is being done on border facilitation, smart borders, the North American Single Window and regulatory reconciliation.

We thank you for your support of this important advisory body, and request that the Committee be able to meet with senior officials in the Department of Commerce and related agencies who will be taking leadership roles in the renegotiation of NAFTA at their earliest convenience.

Sincerely,

A handwritten signature in black ink that reads "Rick D. Blasgen". The signature is written in a cursive, flowing style.

Rick D. Blasgen
ACSCC Chairman

Border Crossing Infrastructure and Processes

Expand Trusted Trader Traveler Program

- **Develop C-TPAT/FAST rules for fresh produce** and other supply chains that are difficult to track by working with Mexican agencies, and add tracking and tracing technology to shipments from origin to destination.
- **Simplify AEO** (Authorized Economic Operator), C-TPAT, and similar supply chain security programs for cross-border e-commerce transactions.

Redesign Border Crossing Infrastructure

- **Complete Border Renovation Strategy** - It is critical to have an efficient border with strategic technology investments **on both sides** of the border
 - Example – optical character recognition at Port of Houston – 360 degrees photo of asset – it matches up on the eye with advanced info – external physical inspection should be reduced or eliminated because of it.
- **Redesign border crossings** so that the FAST lanes are segregated all the way into Mexico so that participants can really enjoy border crossing time reductions.

Increase use of Technology

- **Develop a plan to increase the use of expedited screening**, scanning and inspection technologies for trucks entering the U.S. to increase security and border crossing throughput.
- **Elimination of paper at border crossings:** They transit in bond from Canada across USA, followed by a courier retrieving a stamp from a border official in person. This is a very time-consuming process and serves as the greatest risk and human to human interaction is the greatest threat to security and safety – and efficiency.
- **Automate every cross-border transaction:** Enhancement of the border crossing process to provide enhanced security and remove any appreciable negative perceptions between the southern and northern border crossings through the utilization of automation by incorporating preexisting systems and developing new ones, such as mobile apps and software enhancements. Enhancements could also include allowing better utilization of current EOBR technology in the conveyances to facilitate a more efficient and speedy crossing. Utilize automation to link carriers, exports, and imports with Trusted Trader programs to increase the security and improve cross border flow.

Rules and Regulations

- **Restructure vehicle safety inspection procedures:** Combine FMCSA and State vehicle inspections
- **Analyze truck cabotage rules** and commercial zone delimitations to identify areas of improvement that could reduce the border drayage transfer and the number of empty vehicles at land border crossings.

Data Sharing and Integration

- **Update origin procedures consistent with recent US FTAs, including elimination of the NAFTA certificates of origin among the three countries.** Presently, there is too much left to interpretation and varied customer expectations on how to complete the NAFTA certificate. We receive numerous requests to revise NAFTA certificates of origin for arguably immaterial reasons that do not affect admissibility or letter of the law compliance. This causes significant time and resource commitment that could be better utilized on NAFTA qualification analysis of products and internal NAFTA program training.
- **Foster information sharing among US, Mexican and Canadian agencies.** A single North American e-manifest would greatly reduce transaction costs
- **Mutual recognition programs** – It is critical to have accurate import and export data-sharing and comparison throughout North America, collectively. There should be a modern strategy to digitize transactions and to mutually recognize import and export data in an effort to increase efficiency
- **Preferred trader – There should be real, tangible, and actual benefits to companies that share data with the government** - Compliance should remain at the forefront. The benefits of data sharing with the government are not being translated into the process of physically crossing the border. Need for a reliable preferred trader program which actually translates to benefits at the borders. Participating companies should get preferred service at the borders – **reduced inspections and faster lanes** - but, currently, they are still in the same lines with the companies that have not cleared the security programs.
 - The technology enhanced data sharing leads to enhanced auditing of the companies participating. Under the current model, companies receive more audits because the government has easier access to information generation because of company participation in the CTPAT programs and trusted trader.
 - Mexico increases audits and enforcement – they have a revenue driven model.
- **Ensure that direct data exchange is not contingent upon having a physical presence or registration in the country of import.**
- **Data exchange by intermediaries** (e.g., e-commerce marketplace operator, payments processor) on a voluntary only basis, without incurring liability and yielding some form of trusted trader benefits.

Streamline and Expedite Customs Procedures

- **Establish commercially meaningful “de minimis”¹ thresholds** under which imported products would be exempt from payment of import duties and taxes and subject to streamlined customs procedures. Increases in the respective de minimis thresholds in Mexico and Canada to be harmonized with the \$800 value in the United States would create significant opportunities for American companies, including e-commerce companies and small and medium businesses, to export these countries
- **Streamline customs procedures and expedite customs clearance for low value and e-commerce shipments**, including by harmonizing tariff codes for low value items where classification is required for clearance; standardizing and reducing the number of declaration data elements for low value imports; and providing cumulative annual value declaration constraint requirements for low value imports.

¹ The ICC Customs Guideline #11 defines "de minimis" as a valuation ceiling for goods, including documents and trade samples, below which no duty or tax is charged and clearance procedures, including data requirements, are minimal.

Address Digital Economy and E-Commerce Opportunities

- **A modernized NAFTA should contain provisions that will ensure all business sectors can transfer data from one party to another**, subject to legitimate security or privacy concerns.
- **Prohibit data localization provisions.** NAFTA should guarantee that companies will not have to build expensive and unnecessarily redundant data centers in every market they seek to serve, the cost of which would, of necessity, get passed along to consumers in the form of higher prices for the goods they buy.
- **A modernized NAFTA should stipulate that parties will not assess customs duties on electronic transmissions**, including content transmitted electronically, and the parties agree to protect personal information of those using ecommerce.
- **Eliminate technical regulations that are unnecessary barriers to trade**; promote strong and balanced intellectual property frameworks that facilitate digital trade; prevent online and cloud platforms from being held liable for content created by others; and refrain from weakening existing government procurement provisions.
- **Work collectively on cyber-security initiatives.**