Congress of the United States
Washington, DC 20515

February 26, 2019

The Honorable Kevin Brady
Ranking Member
House Ways and Means Committee
1011 Longworth House Office Building
Washington, D.C. 20515

Dear Ranking Member Brady:

Thank you for inviting me to serve on the whip team for the United States-Mexico-Canada Agreement (USMCA or agreement). In advance of the implementation legislation, I have outlined preliminary thoughts broken down by chapter. This feedback primarily relates to provisions I propose that we address with your legislation or side letters.

Chapter 2: National Treatment and Market Access for Goods

This chapter discusses market access for goods as agreed to in the General Agreement on Tariffs and Trade and the World Trade Organization. This chapters create an annex related to the treatment of automobiles and parts from Mexico should the U.S. increase its current tariff on cars, which President Trump has threatened to do. If the tariffs are raised, Mexico can still access the current 2.5 percent tariff if it satisfies certain criteria. The U.S., then, could impose an import quota on passenger vehicles from Mexico of 1.6 million per year. Generally, I am opposed the use of quotas and encourage their removal from the agreement.

Chapter 4: Rules of Origin

This chapter dictates the amount of North American content required for duty-free treatment under the agreement. Part of this chapter establishes minimum wage requirements which should not be determined through trade agreement policy. Also, this chapter imposes additional quotas on automobiles through negotiated side letters if the higher Section 232 tariffs are triggered as a result of U.S. national security. Quotas do not facilitate free trade and could lead to higher prices for consumers and I oppose the threat of Section 232 tariffs "hanging over" this new agreement.

Chapter 5: Origin Procedures

This chapter details the logistics for verifying preferential tariff treatment. As part of the verification, the chapter establishes a Committee on Rules of Origin and Origin Procedures which will be composed only of government officials. This Committee needs to be amended to include private sector representatives as they will ultimately be most impacted by this agreement - not the government officials.

Chapter 7: Customs Administration and Trade Facilitation

This chapter addresses the process for trade facilitation and customs administration. The agreement increases the de minimus thresholds that set the maximum value of goods that can be imported duty free, which I applaud. However, the thresholds should be uniform and the amounts tied to inflation. They also should be reevaluated on a regular schedule.

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Chapter 10: Trade Remedies

This chapter addresses the use of trade remedies and discusses antidumping and countervailing duties. Section C promotes cooperation and information sharing, but also provides a new mechanism for the U.S. to tighten the reigns on globally integrated supply chains, which could impact intermediate goods. I support a trade policy that eliminates tariffs on intermediate goods, which might not be the case as currently written. The actions of a private company to establish supply chains should not be influenced by governments.

Chapter 13: Government Procurement

This chapter details government procurement access for Mexico and the United States only. As currently written, Canada is not party to the USMCA negotiations on government procurement. This should be remedied. Excluding Canada will likely mean that Mexican contractors will have greater access to the Canadian procurement market than American contractors. Furthermore, not including Canada disadvantages the American taxpayer as there will be less procurement competition.

Chapter 14: Investment

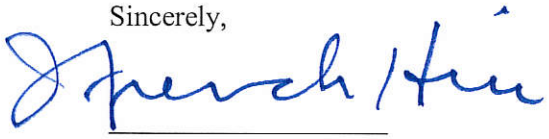
This chapter outlines investor protections for foreign investment. The major change from NAFTA in this chapter reduces the investor-state dispute settlements (ISDS) and applies only to Mexico and only certain sectors. First, this chapter should extend ISDS protections to all investments in both Mexico and Canada. Second, the energy section language should be strengthened. Currently, energy companies that do not hold contracts explicitly with the Mexican government would not be provided with ISDS protection.

Chapter 26: Competitiveness

This chapter sets up a committee to discuss and develop activities that support a "strong economic environment that incentivizes production in North America." Similar to Chapter 5, this committee would only consist of government officials. The provision needs to include private sector involvement either through an advisory board or members on the committee. In order to promote competitiveness, the private sector must play a role as they will not be biased by current government regulation or interference.

Once again, I appreciate the opportunity to provide my thoughts. As you well know, many of these issues can be remedied through side letters. Please do not hesitate to let me know how I or my staff can be helpful in finding workable solutions for these concerns. I am willing to keep moving these issues forward to ensure the United States reaches a final compromise that benefits the American people. Please do not hesitate to free to reach out to me or my trade staffer, Ashley Gunn, about the next steps. She can be reached at 202-225-2506 or by emailing Ashley.Gunn@mail.house.gov.

Sincerely,



French Hill
Member of Congress