

June 12, 2017

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Docket ID: No. USTR-2017-0006

NAFTA Negotiations

Edward Gresser, Chairman
Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th St NW
Washington, DC 20006

RE: Request for Comments on Negotiating Objectives Regarding Modernization of the North American Free Trade Agreement With Canada and Mexico (82 Fed. Reg. 23699)

Dear Chairman Gresser:

On behalf of the Auto Care Association, I welcome this opportunity to provide comments on the benefits NAFTA has provided to our membership and their customers and areas where modernization could provide further benefits. I also hereby request an opportunity to present testimony at the hearing. The following comments provide a summary of the anticipated testimony.

The Auto Care Association is the voice of the \$356.5 billion auto care industry. Our nearly 3,000 member companies represent 150,000 independent automotive businesses that manufacture, distribute and sell motor vehicle parts, accessories, tools, equipment, materials and supplies, and perform vehicle service and repair. Our members includes businesses with operations in the United States, Canada and Mexico. In addition, our members depend on well-established, integrated supply chains that increase competitiveness and product offerings for our members' customers.

The Auto Care Association strongly supports NAFTA. A regional agreement with our neighbors and two of our largest trading partners benefits our membership and the US economy. However, while NAFTA may have been "state of the art" when negotiated and implemented in the early 1990s, it is now nearly 25 years old and could benefit from the modernization effort the Administration has initiated.

While much of the attention has been focused on the NAFTA provisions that eliminated import tariffs on goods, NAFTA does much more than just reduce tariffs/duties. It includes provisions to facilitate customs administration, it provides for protections for service providers, it includes investment disciplines that protect the rights of foreign investors, it protects intellectual property rights and facilitates business travel.

NAFTA's elimination of tariffs, foreign investment protections and opening of the services markets facilitated the integration of regional supply/value chains. In the auto care sector, this includes duty-free movement of raw materials, components and finished goods and favorable investment environments for distributors and retailers seeking to expand to other NAFTA countries. Simply put, NAFTA established rules that promote consistency and predictability for US manufacturers, retailers, distributors and service providers.

Absent NAFTA, import tariffs would revert to WTO rates for US exports to Mexico and Canada and imports from those countries. As a practical matter, US exports to Mexico would immediately be subject to duties of approximately 20 percent for many automobile related items, where similar Mexican exports to the US would be subject to duties of approximately 3 percent. In other words, for most products that are relevant to our members, US exports to Mexico will be subject to much higher tariffs than imports from those countries. NAFTA eliminates this disparity because imports are duty-free in all three countries, which promotes integrated supply chains, cost efficiencies and more options for US purchasers and consumers. Moreover, NAFTA promotes foreign direct investment in the US and protects US investments in our NAFTA partners. It also contains provisions that protect US service providers and intellectual property rights that are important to our members.

With respect to modernizing the agreement, the Auto Care Association supports including ecommerce provisions and efforts to streamline/modernize customs procedures. While nearly 80 percent of Americans do at least some shopping online (compared to only 22 percent in 2000), one of NAFTA's largest shortcomings is its lack of ecommerce provisions that protect and promote cross-border transactions. Likewise, tremendous strides have been made in trade facilitation since NAFTA was adopted. NAFTA's customs administration provisions should be consistent with the WTO Trade Facilitation agreement and the United States should seek to identify way to reduce border wait times and obstacles that impact US exports to Canada and Mexico.

In conclusion, the Auto Care Association strongly supports maintaining NAFTA and the Administration's efforts to modernize the agreement. Those modernization efforts should expand on the existing framework that protects investments, facilitates trade and creates competitive value chains that benefit our members and their customers.

Sincerely,

A handwritten signature in black ink that reads "Aaron Lowe". The signature is written in a cursive, flowing style.

Aaron Lowe
Senior Vice President, Regulatory and Government Affairs
Auto Care Association