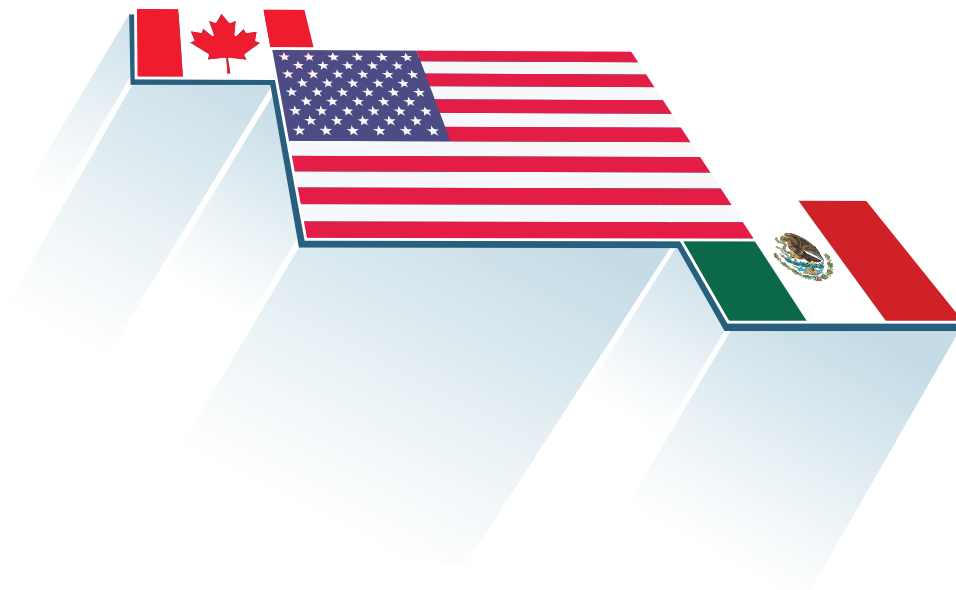




Section 502 Small Business Report on the Modernization of the North American Free Trade Agreement (NAFTA)

Prepared for the Consideration of the
United States-Mexico-Canada Agreement (USMCA)



U.S. Small Business Administration, Office of Advocacy

December 2018

The Office of Advocacy of the U.S. Small Business Administration was created by Congress in 1976 to be an independent voice for small business within the Federal government. The office is led by the Chief Counsel for Advocacy who is appointed by the President and confirmed by the U.S. Senate. The chief counsel advances the views, concerns, and interests of small business before the White House, Congress, Federal agencies, Federal courts, and State policymakers. The office relies on economic research, policy analyses, and small business outreach to identify issues of small business concern. Ten regional advocates around the country, two national advocates, and an office in Washington, D.C., support the chief counsel's efforts.

Information about Advocacy's initiatives on behalf of small businesses is accessible via the website; three Listservs (regulatory communications, news, and research); and social media, including a Twitter feed and Facebook page.



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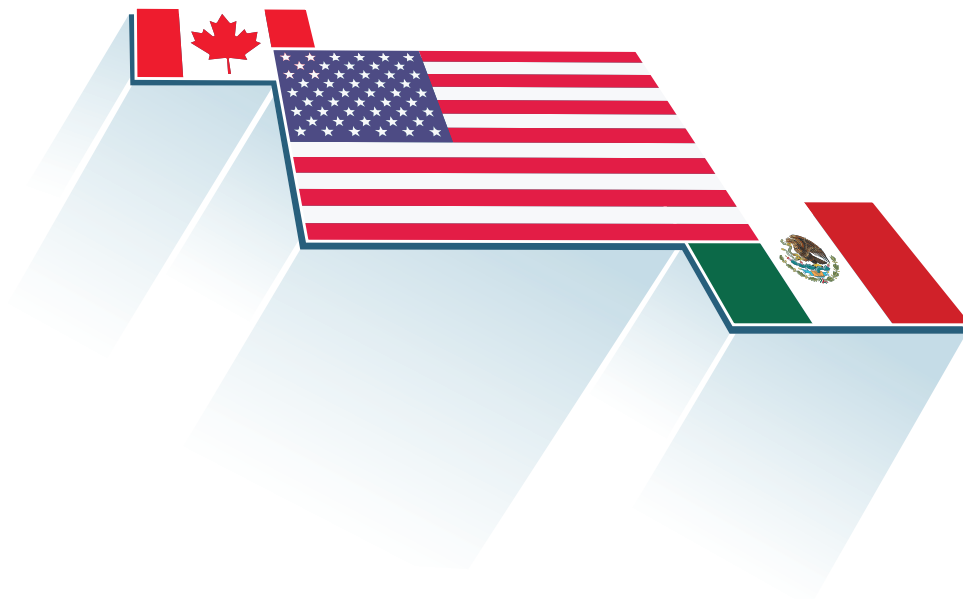


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Section 502 Small Business Report on the Modernization of the North American Free Trade Agreement (NAFTA)

Prepared for the Consideration of the
United States-Mexico-Canada Agreement (USMCA)



Report to the Senate Committee on Small Business and Entrepreneurship, Senate
Committee on Finance, House of Representatives Committee on Small Business,
and House of Representatives Committee on Ways and Means

Developed under the Trade Facilitation and Trade Enforcement Act of 2015 by the
U.S. Small Business Administration, Office of Advocacy

December 2018

December 21, 2018

To Senate Committee on Small Business and Entrepreneurship
Senate Committee on Finance
House of Representatives Committee on Small Business
House of Representatives Committee on Ways and Means:

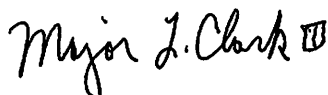
The Office of Advocacy is pleased to present to the above mentioned the *Section 502 Small Business Report on the Modernization of the NAFTA: Prepared for the Consideration of the USMCA*. This report was prepared by the Small Business Administration Office of Advocacy and is being submitted in accordance with section 502(3)(B) of the Trade Facilitation and Trade Enforcement Act (TFTEA).

On December 8, 2017, President Trump directed that submission of this report be delayed pursuant to section 502(3)(B), until after the negotiations are concluded, but no later than 30 days after a renegotiated agreement is signed. This report is hereby submitted pursuant to that direction.

Trade with Mexico and Canada is particularly important because these two countries are the top two export destinations for U.S. SME goods. In 2016 (latest data available), 82,000 U.S. small and medium-sized businesses exported \$51.2 billion in goods to Canada, and 53,000 U.S. small and medium-sized businesses exported \$76.2 billion in goods to Mexico.

This report contains information on the small business views of the NAFTA, which were gathered while the negotiations for the trade agreement were in progress. The negotiations on the NAFTA Modernization resulted in the United States-Mexico-Canada Agreement, which was signed on November 30, 2018. The full text of the agreement, as well as fact sheets produced by the U.S. Trade Representative, can be found on Advocacy's website at <https://advocacy.sba.gov/category/regulation/international-trade/> and the USTR website at <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement>.

The Office of Advocacy continues to be committed to small business outreach and using our resources to help level the playing field for small businesses in international trade.



Major L. Clark, III
Acting Chief Counsel for Advocacy

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1. Introduction: Statutory Requirements

In early 2016, Congress passed the Trade Facilitation and Trade Enforcement Act (TFTEA), establishing new requirements for the U.S. Small Business Administration's Office of Advocacy to facilitate greater consideration of small business issues during negotiations on trade agreements.¹ Under TFTEA, the Chief Counsel for Advocacy must convene an Interagency Working Group (IWG) no later than 30 days after the President notifies Congress that the Administration intends to enter into trade negotiations. The purpose of the IWG is to conduct small business outreach with a diverse group of small businesses and their representatives and receive input from small businesses in the manufacturing, services, and agriculture industries on the potential economic effects of the trade agreement. From these efforts, the Chief Counsel provides a report to Congress. The report must:

- (i) identify the most important priorities, opportunities, and challenges to various industries from the covered trade agreement;
- (ii) assess the impact for new small businesses to start exporting, or increase their exports, to markets in countries that are parties to the covered trade agreement;
- (iii) analyze the competitive position of industries likely to be significantly affected by the covered trade agreement;
- (iv) identify—
 - (I) any State-owned enterprises in each country participating in negotiations for the covered trade agreement that could pose a threat to small businesses; and
 - (II) any steps to take to create a level playing field for those small businesses;
- (v) identify any rule of an agency that should be modified to become compliant with the covered trade agreement; and
- (vi) include an overview of the methodology used to develop the report, including the number of small business participants by

¹ Trade Facilitation and Trade Enforcement Act (TFTEA), Pub. L. No. 114 – 125, §502, 130 Stat. 122 (2016); see 15 U.S.C. §634c.

industry, how those small businesses were selected, and any other factors that the Chief Counsel for Advocacy may determine appropriate.²

The Administration notified Congress of its intent to renegotiate the North American Free Trade Agreement (NAFTA) on May 18, 2017. The IWG convened on June 14, 2017, to identify small business stakeholders and seek their views of the NAFTA renegotiation's small business impacts in the manufacturing, agriculture, and services industries.³

² TFTEA.

³ The Office of Advocacy defines "small businesses" as independent firms with fewer than 500 employees. These firms are also referred to as "small and medium-sized enterprises" (SMEs) in academic and international literature.

2. Small Business Trade with Canada and Mexico

Small businesses (defined in this report as firms with fewer than 500 employees) represent the vast majority of firms in the United States and approximately 98 percent of all exporting firms.⁴ Yet, small businesses account for only about a third of goods exports. As Table 1 indicates, small businesses represent approximately 20 percent of goods exports in manufacturing industries, and an estimated 38 percent of exports of services.⁵ While firm size trade data in agricultural industries is limited, small businesses represent about 60 percent of goods exports in agricultural industries.⁶

Table 1: Total and Small Business Exports in Manufacturing and Services, 2015*

	U.S. exports (\$billion)	Small business exports (\$billion)	Small business share of exports (percent)
Manufacturing	797.9	160.6	20
Services	750.9	285.4	38

Source: U.S. Department of Commerce, U.S. Census Bureau, Profile of U.S. Importing and Exporting Companies; Bureau of Economic Analysis, U.S. International Trade in Goods and Services; Freund et al., “Enhancing export opportunities.” *Export data on manufacturing sectors are presented based on the sector of the goods exporting establishment. Services export data are presented based on the type of service exported. Services exports are based on sector composition estimations used in Freund *et al.*, “Enhancing export opportunities.” Data on the small farm share of agricultural commodities exports are not readily available.

⁴ Caroline Freund, Gary Hufbauer, and Euijin Jung. “Enhancing export opportunities for small and medium-sized enterprises.” No. PB16-7. Peterson Institute for International Economics, 2016.

⁵ Freund, Hufbauer, and Jung. “Enhancing export opportunities.”

⁶ Freund, Hufbauer, and Jung. “Enhancing export opportunities.” The Census Bureau only reports agricultural exports by registered business establishments, which amounted to \$4.3 billion in 2015. Total U.S. exports of agricultural products were \$133 billion in 2015 which includes all farm establishments. Furthermore, while comprehensive trade data on the small farm share of crop and livestock exports are not currently available due to the integrated nature of agricultural supply chains, according to the USDA, small and mid-size family farms account for roughly 47 percent of the total value of all agricultural production, sold domestically and internationally.

Canada and Mexico are the top two goods export markets for both large and small (SME) U.S. exporters.⁷ As Figure 1 shows, goods trade with Canada and Mexico has grown significantly from 1992 to 2017. Over that time period, the total dollar value of imports and exports with Canada has tripled and has increased seven-fold with Mexico. Trade has recovered after dropping during the Great Recession and continues on an upward growth path. Table 2 shows that roughly 82,000 small businesses export to Canada and 53,000 small businesses export to Mexico (the vast majority of U.S. exporters to these countries are small businesses).⁸ While there are more small businesses that export to Canada than Mexico, the value of small business exports to Mexico exceeds the value of exports to Canada (\$76 billion and \$51 billion in 2016, respectively).



⁷ U.S. Department of Commerce (DOC), U.S. Census Bureau, *A Profile of U.S. Importing and Exporting Companies, 2015-2016*, April 2018.

⁸ According to the latest available data from the U.S. Census Bureau.

Table 2: U.S. Goods Exports to Canada and Mexico by Firm Size, 2015-2016
(Values given in \$million)

Firm size category		2016		2015	
		Canada	Mexico	Canada	Mexico
Unknown number of employees	Known export value (\$)	\$14,278	22,689	16,182	19,528
	Number of exporters	20,298	15,331	20,868	16,146
1-19 employees	Known export value (\$)	7,437	9,335	6,970	10,219
	Number of exporters	31,570	17,641	33,096	18,471
20-49 employees	Known export value (\$)	4,948	6,271	5,507	6,676
	Number of exporters	13,321	8,316	13,701	8,675
50-99 employees	Known export value (\$)	6,369	6,771	5,980	6,588
	Number of exporters	7,274	5,207	7,545	5,316
100-249 employees	Known export value (\$)	9,008	10,525	10,585	10,916
	Number of exporters	6,426	4,792	6,642	4,941
250-499 employees	Known export value (\$)	9,140	20,629	8,977	21,815
	Number of exporters	2,804	2,179	2,924	2,281
500+ employees	Known export value (\$)	145,676	135,718	155,195	141,661
	Number of exporters	4,833	3,632	4,875	3,663
TOTAL number of exporters		86,526	57,098	89,651	59,493
Number of small business exporters		81,693	53,466	84,776	55,830
Small business percent of exporters		94%	94%	95%	94%
TOTAL known export value (\$million)		196,856	211,938	209,397	217,403
Small business known export value (\$million)		51,180	76,220	54,201	75,742
Small business percent of known export value		26%	36%	26%	35%

Source: U.S. Department of Commerce, U.S. Census Bureau, Profile of U.S. Importing and Exporting Companies, <https://www.census.gov/foreign-trade/Press-Release/edb/2016/index.html>.

Note: Known export value is the export value of goods that has been matched to a specific exporter.

In 2016, roughly 15 percent (\$20.3 billion) of all U.S. agricultural exports were exported to Canada, and 13 percent (\$17.8 billion) were exported to Mexico.⁹ In the services sector, U.S. service providers sold \$54 billion in services in the Canadian market, and \$32 billion in the Mexican market.¹⁰ In the manufacturing sector, U.S. manufacturers exported \$238 billion in goods to

⁹ U.S. Department of Agriculture (USDA), Foreign Agricultural Service, Global Agricultural Trade System, <https://apps.fas.usda.gov/gats/>

¹⁰ U.S. Department of Commerce (DOC), Bureau of Economic Analysis, https://apps.bea.gov/iTable/index_ita.cfm (accessed October 25, 2018).

Canada, and \$208 billion to Mexico. Despite growth in emerging markets abroad, these figures demonstrate that North America remains a key export market for American small businesses.

A. Challenges in Estimating International Trade Impacts

There is a relatively small body of research examining how international trade affects small businesses. Existing research generally focuses on firm level decisions regarding the set of goods they export, the set of countries they export to or import from, and the degree to which globalization influences small business internationalization.¹¹ Although existing research is limited, methods for estimating the effects of new trade agreements have made important advancements. Currently, the impact of trade agreements and analysis of the competitive position of U.S. industries are estimated using computable general equilibrium models that incorporate firm heterogeneity to map projected trade patterns.¹² Although these models demonstrate far-reaching economy-wide effects, outcomes for small firms remain difficult to distinguish and model. These theoretical gaps are met with equally problematic data gaps on small business internationalization across economic sectors over time. While trade data for goods exports is tabulated by the size of the business, data is not available for services exports tabulated by business size. Similarly, in agricultural sectors, due to the commingled commodity marketing chain, small agricultural producers are not distinguished in agricultural trade statistics. This makes categorizing small farm contributions in trade with Canada and Mexico difficult. However, the data do show that the vast majority of U.S. farms are small and family-owned.¹³

The following sections rely on existing research and the best available government trade data to identify trends among new small business exporters and the competitive position of U.S. small businesses over time.

B. The NAFTA Impact on New Small Business Exporters

This section describes in broad terms how new small business exporters and export value changed over the period of time generally corresponding with the NAFTA implementation. It also discusses the results of recent surveys of U.S. small businesses engaged in exporting activities, as well as those that are not. This discussion provides insight into potential barriers that can be addressed to support new small businesses as they embark on international trade for the first time.

¹¹ Andrew B. Bernard, J. Bradford Jensen, Stephen J. Redding, and Peter K. Schott. "Firms in international trade." *The Journal of Economic Perspectives*, 21, no. 3 (2007): 105-130.

¹² Peter A. Petri, Michael G. Plummer, and Fan Zhai. *The Trans-Pacific Partnership and Asia-Pacific Integration: A Quantitative Assessment*. Peterson Institute for International Economics, vol. 98. 2012.

¹³ USDA, "America's diverse family farms."

Studies conducted by three U.S. government agencies—the U.S. International Trade Commission (USITC), the U.S. Census Bureau (Census), and the International Trade Administration (ITA)—show that goods exports among small businesses grew after the NAFTA implementation began in 1994. A 2010 ITC report examining the role of SMEs in U.S. exports found that total small business export volume grew due to both an increase in average export value among existing market participants as well as an increase in the number of small firms engaging in export activities. Specifically, ITC research indicates that:

Between 1997 and 2007, much of the growth in small business merchandise exports was attributable to an increase in the number of net new market entrants—small and medium-sized enterprises that were new to exporting. Export growth from large firms, by contrast, resulted almost exclusively from increases in the value of exports by existing firms.¹⁴

According to the same report, the rapid increase in goods exports is “attributable both to an approximately 80 percent increase in the export value per firm and to an approximately 30 percent increase in the number of exporting firms.”¹⁵

Despite representing just under a third (31.5 percent) of overall export value growth from 1997 to 2007, nearly all growth in the number of exporting firms was among very small firms with fewer than 20 employees.¹⁶ The USITC report also highlights varying growth dynamics among small firms of different sizes, with the smallest firms experiencing a lower percentage growth in export value than larger small firms. The USITC reports that:

SMEs with fewer than 20 employees accounted for almost all of the growth in the number of exporting firms (94.8 percent in 1997–2007). However, they exported, on average, only \$0.76 million per firm (an increase of 53.3 percent over 1997). Small firms with 20–99 employees each exported an average of nearly \$1.5 million (an increase of 63.0 percent over 1997), and SMEs with 100–499 employees exported nearly \$5.4 million per firm (an increase of 105.1 percent over 1997).¹⁷

Census data for 2005 through 2016 illustrate trends in the number of U.S. small business exporters to the NAFTA countries over time.¹⁸ As shown in Figure 2, the number of small businesses¹⁹ that

¹⁴ U.S. International Trade Commission (USITC), *Small and Medium Sized Enterprises: Overview of Participation in U.S. Exports*, 2010, p. ix.

¹⁵ USITC, *Overview of Participation in U.S. Exports*, pp. 3-4.

¹⁶ USITC, *Overview of Participation in U.S. Exports*, pp. 3-4.

¹⁷ USITC, *Overview of Participation in U.S. Exports*, pp. 3-6.

¹⁸ SBA Advocacy calculations are based on a compilation of U.S. Census Bureau data from the Bureau’s “Profile of U.S. exporting and importing companies” for the years 2005 through 2016. Access all profiles and associated data via <https://www.census.gov/foreign-trade/aip/index.html>.

¹⁹ This estimate includes all employer firms identifiable by firm size with fewer than 500 employees as well as firms with an “unknown number of employees” that exported goods to Mexico or Canada. This is the standard methodology employed by Census, the USITC, and ITA.

export to Canada and Mexico differs between the two countries. In absolute terms, nearly twice as many small businesses export to Canada than to Mexico in a given year, with an average of 87,800 small businesses exporting to Canada and an average of 49,000 exporting to Mexico over the 11-year period. However, the number of small business exporters has converged somewhat over time: there was a 34 percent increase in the number of small businesses exporting to Mexico between 2005 and 2016 but only a 2 percent increase in the number of small businesses exporting to Canada during the same period. For context, the number of small business exporters to all countries over the 11-year period increased about 20 percent between 2005 and 2016.

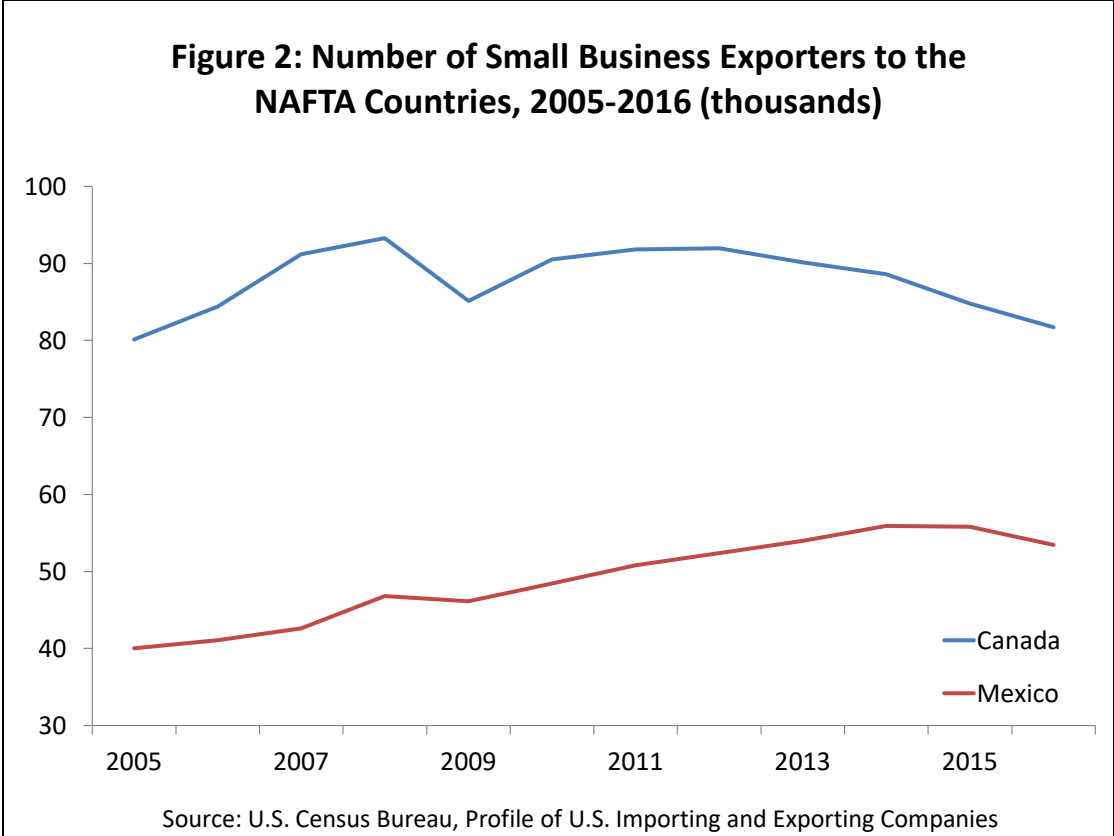
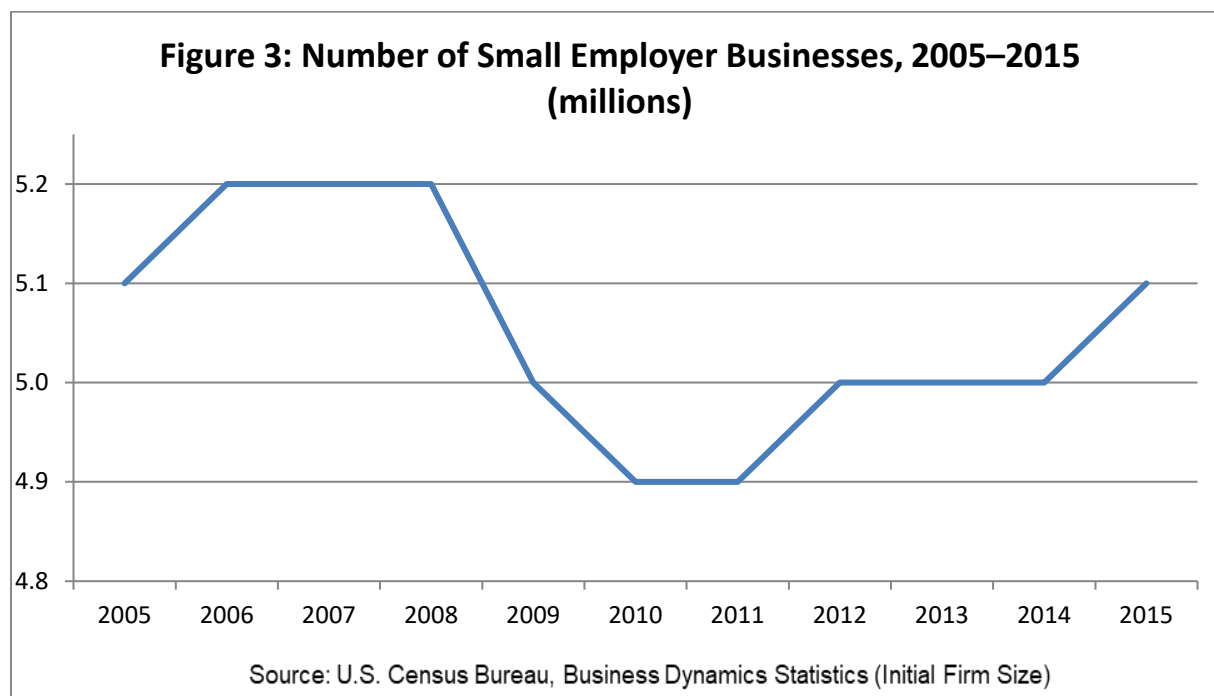


Figure 3 relies on the Census Bureau’s Business Dynamics Statistics and shows that the number of small employer firms did not change dramatically between 2005 and 2015, ranging from a high of 5.2 million small firms in 2007 to a low of 4.9 million in 2011. This suggests that growth in the number of small business exporters, particularly to Mexico, outpaced growth in the total number of small employer firms between 2005 and 2015. While it is useful to observe trends in the number of small business exporters to the countries of interest, these findings must be viewed with caution as many intervening factors other than the NAFTA (such as the Great Recession, U.S. dollar exchange rates, or technological change) could have influenced the number of small firms engaging in export activities over this period.



Surveys provide another avenue for understanding potential barriers to new small business exports. The National Small Business Association’s most recent “Small Business Exporting Survey,” which sampled 530 small business owners between February and March 2016, highlights some of these challenges. Among the survey respondents, 58 percent indicated that they had “sold merchandise or services to a customer outside of the United States.”²⁰ Among the 42 percent of small business respondents who had not previously engaged in exporting, nearly half (49 percent) said they would be interested in selling to a foreign customer if their concerns could be alleviated. In response to the survey question asking non-exporting firms about key barriers to starting to export (not specific to Canada or Mexico):

- 39 percent didn’t believe they had an exportable good or service,
- 37 percent said they lacked sufficient information or “didn’t know where to start,”
- 24 percent feared they wouldn’t get paid,
- 24 percent cited regulatory barriers or complexity, and
- 22 percent said that they were unaware how to utilize free/foreign trade agreements.²¹

²⁰ National Small Business Association (NSBA), “2016 Small business exporting survey,” 2016, p. 4, <http://www.nsba.biz/wp-content/uploads/2016/04/Export-Survey-2016-Final.pdf>.

²¹ NSBA, “2016 exporting survey,” p. 5.

Similar challenges were reported among small businesses with previous exporting experience, albeit in a different order of importance. When asked about the “largest challenges to selling goods and/or services to foreign customers,” experienced exporters’ top responses were as follows:

- 44 percent said they worry about getting paid,
- 21 percent said they had limited goods or services that are exportable,
- 17 percent cited a lack of understanding about regulations and policies,
- 16 percent said exporting is very costly, and
- 16 percent indicated that exporting is confusing and difficult.²²

Another 2010 USITC report highlights exporting barriers specific to small businesses in the services and manufacturing sectors. According to this report, small businesses in service sectors most frequently cited the following impediments to trade:

- Insufficient intellectual property (IP) protections,
- Foreign taxation issues,
- U.S. regulations,
- Obtaining finance,
- Foreign sales not sufficiently profitable,
- Difficulty in receiving or processing payments, and
- Difficulty establishing affiliates in foreign markets.²³

Likewise, small businesses in manufacturing sectors most commonly cite the following impediments:

- Inability to find foreign partners,
- Transportation/shipping costs,
- Preference for local goods in foreign markets,
- High tariffs,
- Difficulty in receiving or processing payments,
- Customs procedures,
- Obtaining finance,
- Foreign regulations, and
- Lack of government support programs.²⁴

These survey results shed light on several important issues that could affect the number of new small businesses that are willing to engage in international trade for the first time, namely information or knowledge gaps, high costs, insufficient financing, and bureaucratic complexity.

²² NSBA, “2016 exporting survey,” p. 10.

²³ U.S. International Trade Commission (USITC). *Small and Medium-Sized Enterprises: Characteristics and Performance*. Investigation No. 332-510. USITC Publication 4189, 2010, pp. 6-11.

²⁴ USITC, *Characteristics and Performance*.

C. Issues in Competitiveness

The United States is consistently ranked amongst the most globally competitive nations by the World Economic Forum (WEF). It ranked second in competitiveness for 2017-2018, defined by the WEF as the set of institutions, policies, and factors that determine the level of an economy's productivity.²⁵ However, national-level performance does not reveal intra-national competitive dynamics and relative vulnerability to international competition within the U.S. economy among different sectors, geographic regions, and businesses of different sizes.

Since 1980, U.S. international trade has risen. Both total exports and imports as a share of U.S. gross domestic product, a measure of the value of total economic output, were rising before the NAFTA's implementation in 1994, and have continued rising afterward although in an uneven fashion (Figure 4). And much of the gap between imports and exports has occurred within the last twenty years. From the prospective of domestic firms, this has created both challenges and opportunities. Some firms struggle to stay price competitive with imported products in their markets. Domestic producers now may compete with more imported goods, but, at the same time, have greater access to lower cost materials to boost profits and mitigate supply risks. Imported goods can provide domestic firms with access to materials that may be otherwise unavailable, cost prohibitive, or scarce. In addition to reducing costs, imported goods can ensure access to production inputs that mitigate supply chain risks by creating a more diversified supply chain for domestic firms.

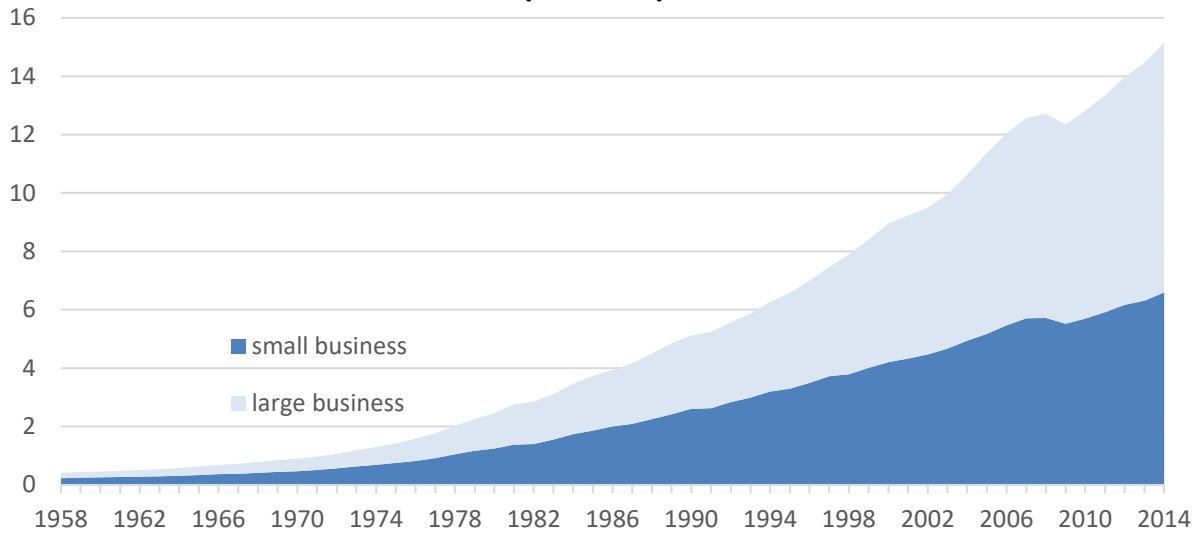
²⁵ World Economic Forum, *The Global Competitiveness Report, 2017-2018*, <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>



The overall relationship between the growth of the small business sector and the growth in U.S. international trade is not clear. While the nominal level of overall small business contributions to U.S. GDP has grown since the 1960s (Figure 5), the small business share of GDP has been falling over the same time period (Figure 6), as large businesses now represent a larger portion of the economy. Small businesses in certain industries such as Apparel, Electronics, and Textiles may experience a relatively increased vulnerability to international competition,²⁶ whereas small businesses in Wholesale industries may benefit more from the ability to sell in more international markets.

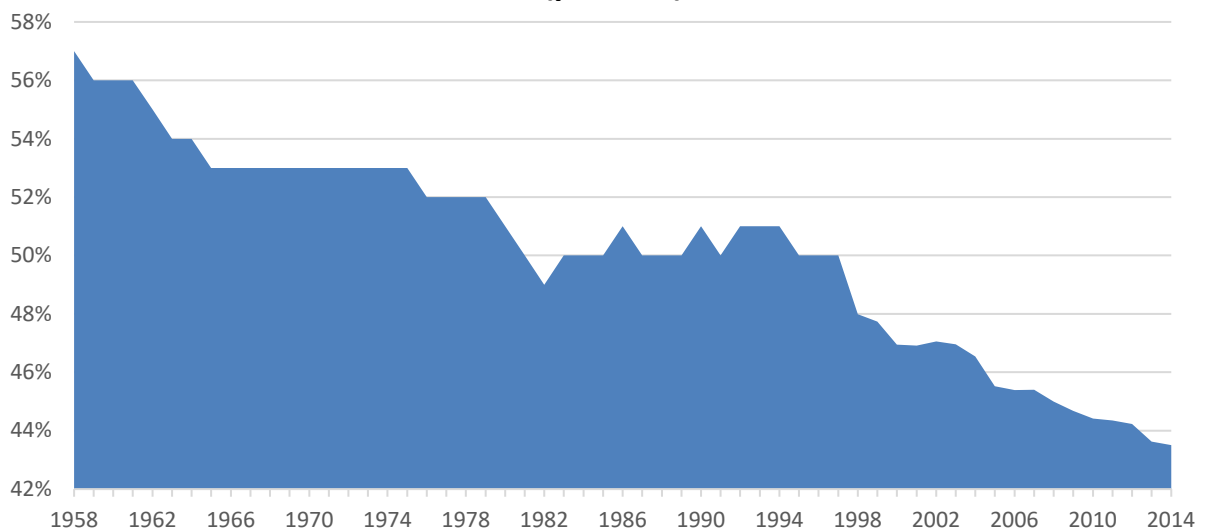
²⁶ Trade Adjustment Assistance data from U.S. Department of Labor (DOL), Employment and Training Administration.

**Figure 5: Small and Large Business GDP, 1958–2014
(\$trillion)**



Source: SBA Office of Advocacy calculations of data from the U.S. Department of Commerce, Bureau of Economic Analysis. Prepared under contract SBAHQ-15-M-0146

**Figure 6: Small Business Share of GDP, 1958–2014
(percent)**



Source: SBA Office of Advocacy calculations of data from the U.S. Department of Commerce, Bureau of Economic Analysis. Prepared under contract SBAHQ-15-M-0146

At the individual firm level, the competitive position of small businesses can be disproportionately affected by customs procedures and regulatory requirements; small businesses often cannot adjust to regulatory changes in the way that large businesses can. Large businesses with bigger administrative staffs and greater supply chain flexibility can better withstand or adjust to regulatory changes in international markets, including the capacity to open facilities abroad, shift production and distribution, and reduce costs or bring products to market more quickly.

Of firms with employees, most small businesses have only one location while the average large business has 66 business locations, according to the Census Bureau.²⁷ Just as multiple locations can allow a business to shift production or distribution from one state to another to adjust for changes in the cost of labor or capital, large businesses can recalibrate their supply chains across countries in which they have a presence to reduce spending on trade compliance, and utilize related party trade to lower transportation costs.²⁸

Beyond contributions as direct exporters, small businesses also contribute to international trade by providing intermediate inputs and services to the supply chains of large manufacturers, distributors, or retailers that sell products globally. Small businesses that participate in a global supply chain are often affected by the competitive dynamics of firms downstream or upstream in the chain. The contributions of these small businesses can also vary across levels in the supply chain. For example, according to the Census Bureau's Statistics of U.S. Businesses, while small businesses employ close to half (44 percent) of manufacturing workers, the motor vehicle parts manufacturing industry (NAICS 3363) is dominated by large firms. Firms with 500 or more workers in motor vehicle parts manufacturing employ about 75 percent of the industry and small firms employ about 25 percent. Meanwhile, small businesses are much more prevalent downstream in the automotive supply chain, closer to the end users. Small businesses account for two-thirds of auto wholesale employment (NAICS 42311) and over 80 percent of auto dealer employment (NAICS 4411).

The food manufacturing supply chain shows a similar pattern. Small businesses in food manufacturing (NAICS 311) employ 33 percent of the industry's workers, and small businesses' share of employment increases as products get closer to the final customer, with small business employment at 46 percent for wholesale food distributors (NAICS 4224).

²⁷ U.S. Department of Commerce (DOC), U.S. Census Bureau, Statistics of U.S. Businesses, www.census.gov/data/tables/2015/econ/susb/2015-susb-annual.html (accessed October 30, 2017).

²⁸ Related-party trade includes trade by U.S. companies with their subsidiaries abroad.

3. Synthesis of Small Business Stakeholder Comments Submitted to the U.S. Trade Representative

On May 23, 2017, the Office of the U.S. Trade Representative (USTR) published a request for comments regarding U.S. negotiating objectives for the modernization of the NAFTA.²⁹ In order to identify and better understand key issues, the Office of Advocacy searched the docket folder for comments concerning small business.³⁰ An overview of small business perspectives on eight key policy issue-areas for the renegotiation follows.

A. Customs, Trade Facilitation, and Rules of Origin

Many stakeholders recommended that the NAFTA renegotiation be used as an opportunity to modernize and harmonize customs procedures across the free trade area. Commenters indicated that current customs forms, procedures, and costs are too complex, leading to delays, unexpected costs, and general uncertainty. There is broad support for a decrease in red tape in this area. The International Fragrance Association of North America, whose members include many small businesses, highlighted these challenges, noting that:

Border delays—whether created by confusing fees, burdensome documentation requirements, redundant security programs, inadequate infrastructure, or disjointed regulations—create uncertainty and unnecessary cost burdens. A renegotiated NAFTA should result in more efficient, predictable, and transparent movement of goods

²⁹ Office of U.S. Trade Representative (USTR), Requests for Comments: Negotiating Objectives Regarding Modernization of North American Free Trade Agreement with Canada and Mexico, Regulations.gov docket, 2017, https://www.regulations.gov/document?D=USTR_FRDOC_0001-0413.

³⁰ USTR received a total of 12,460 comments during the comment period, which closed on June 14, 2017. Of the 12,460 comments received, 1,458 were unique comment filings. A search of the term “small business” in the docket folder on the website www.regulations.gov identified 45 comments which were reviewed. Since public comments cannot be filtered by size of business in regulations.gov, this was deemed the best means to identify small business concerns in public comments for review.

throughout North America and a more competitive business export platform to reach global customers.³¹

While not a small business itself, the global shipping company FedEx emphasized that negotiators should consider the treatment of low-value shipments and guard against “overbearing customs treatment” of them, as this has a large impact on small business trade. Specifically, FedEx argued that:

Overbearing customs treatment of low-value shipments raises administrative costs for the customs authorities... and diverts the limited resources of customs... Moreover, it results in disproportionate and frequently prohibitive costs for the importer, often a consumer or small business, thus interfering with the ability of U.S. e-commerce platforms and other U.S. exporters to compete on a fair basis.³²

Finally, several small business stakeholders noted that the current rules of origin are too complex and should be simplified. One commenter, the El Paso Hispanic Chamber of Commerce, suggested that the rules of origin should be updated to increase the required share of American-made parts.³³

B. De Minimis Threshold

Several commenters highlighted the increasing importance of *de minimis* treatment provisions given the dramatic increase in online sales of goods through e-commerce. “*De minimis*” refers to a shipment value below which imported goods may enter a country free of duties, taxes, or other charges, and with simplified filing procedures. There is broad support among small business stakeholders for addressing *de minimis* levels across all three parties, with some advocating for an increase in *de minimis* levels across the countries, and others advocating for harmonization across the free trade area. Currently, Canada and Mexico have much lower *de minimis* levels than the United States. In the United States, the *de minimis* threshold is set at \$800 USD, while Mexico’s is approximately \$50 USD, and Canada’s is approximately \$15 USD. According to the National Customs Brokers and Forwarders Association of America (NCBFAA), “current disparities create advantages for goods produced in a country with a lower *de minimis* level,” placing U.S. businesses at a disadvantage.³⁴

³¹ Comments submitted by the International Fragrance Association of North America (USTR- 2017-0006-0872), June 12, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-0872>.

³² Comments submitted by Federal Express Corporation (USTR-2017-0006-0520), June 12, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-0520>.

³³ Comments submitted by the El Paso Hispanic Chamber of Commerce (USTR-2017-0006-0589), June 13, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-0589>.

³⁴ Comments submitted by the National Customs Brokers and Forwarders Association of America (USTR-2017-0006-0918), June 12, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-0918>.

C. The NAFTA Professional Visa Program

Some stakeholders expressed support for the NAFTA Professional TN visa program.³⁵ This program allows Mexican and Canadian professionals to temporarily work in the United States “in prearranged business activities for U.S. or foreign employers.”³⁶ These commenters supported the program’s continuation and expansion. One commenter encouraged negotiators to create a similar program for low-skilled workers.³⁷

D. Regulatory Cooperation and Reciprocity

Many small business stakeholder comments stressed the need for regulatory cooperation and reciprocity across the three countries. One small business involved in medical device manufacturing described the challenges and costs associated with medical devices being subject to different classification systems and audit requirements in the United States, Canada, and Mexico. For this stakeholder, regulatory harmonization would make it much easier to do business in Canada, resulting in a potentially dramatic increase in market access and sales.³⁸ The Canada-U.S. Business Association also emphasized the importance of regulatory cooperation, suggesting that a modernized NAFTA include a mutual recognition of Canada-U.S. food safety standards.³⁹

E. Small Business Chapter

Many commenters expressly requested that a modernized NAFTA include a specific chapter dedicated to small business concerns. According to the El Paso Hispanic Chamber of Commerce, 37 percent of its members would like to see a small business chapter in the NAFTA similar to the one developed in the Trans-Pacific Partnership (TPP), which detailed a variety of specific measures that each member nation would have to undertake to support small business exporting activities. Another commenter recommended creating a website with easily accessible information to help small businesses understand how to best utilize the agreement. Such a website would include information on standards and regulations in each member country, intellectual property rights, and business registration or taxation procedures. In addition, a few commenters recommended establishing a small business committee to evaluate the degree to which small businesses are

³⁵ TN stands for “Treaty NAFTA.”

³⁶ U.S. Department of State, Bureau of Consular Affairs, “Visas for Canadian and Mexican NAFTA professional workers,” <https://travel.state.gov/content/visas/en/employment/nafta.html> (accessed July 28, 2017).

³⁷ Comments submitted by the El Paso Hispanic Chamber of Commerce (USTR-2017-0006-0589), June 13, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-0589>.

³⁸ Comment submitted by Jennifer Tipping (USTR-2017-0006-0258), June 8, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-0258>.

³⁹ Comments submitted by the Canada-United States Business Association (USTR-2017-0006-1214), June 12, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-1214>.

utilizing the agreement and to suggest changes to expand small business use.⁴⁰ Another commenter recommended the idea of a “small business accord,” which they envisioned would:

provide simple sectoral information for entrepreneurs planning to enter a specific market; inform and educate the public on regulation compliance for international trade; innovate in finance mechanisms to bring small businesses closer to capital; and enhance cooperation between signatory countries to tackle crime against small businesses.⁴¹

F. Digital Trade

Many commenters stated that specific chapters on e-commerce and digital trade are crucial to a modernized NAFTA given that the original NAFTA predates the importance these issues have attained to the U.S. and global economies. Most commenters supported policies that encourage and facilitate cross-border data flow and strongly opposed forced data localization measures, such as requirements that data be processed and stored within a country’s borders. Several commenters emphasized that a decrease in barriers to digital trade would be beneficial to small businesses and startups in particular. One association which represents many small software development companies (ACT | the App Association), made several other recommendations of importance to small technology companies, including: barring customs duties on digital content, promoting strong encryption techniques to protect end-user security and privacy, and opposing any requirements to supply source code in order to gain market entry.⁴²

G. Intellectual Property

Small business stakeholders, especially those in the technology, services, and entertainment sectors, emphasized the importance of strong intellectual property rights, including patent, copyright, and trademark protections. The Directors’ Guild of America, which represents many small independent filmmakers, urged the Administration to adopt copyright protections that are at least as strong as those included in recently adopted trade agreements, such as the U.S.–Korea Free Trade Agreement (KORUS).⁴³

⁴⁰ Comments submitted by the El Paso Hispanic Chamber of Commerce (USTR-2017-0006-0589), June 13, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-0589>.

⁴¹ Comments submitted by Instituto Mexicano para la Competitividad (IMCO) (USTR-2017-0006-1011), June 12, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-1011>.

⁴² Comments submitted by ACT | The App Association (USTR-2017-0006-0985), June 12, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-0985>.

⁴³ Comments submitted by the Directors Guild of America (USTR-2017-0006-1088), June 12, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-1088>.

H. Government Procurement

At least two small business stakeholders identified government procurement as a key concern in the NAFTA renegotiation. The Computing Technology Industry Association, which represents many small technology firms, urged USTR “to at least maintain the current provisions in the Government Procurement chapter (chapter 10) of the NAFTA, which opened up a significant portion of federal government procurement in each country on a non-discriminatory basis to suppliers from other NAFTA countries for goods and services.”⁴⁴ The Coalition of Services Industries shared a similar perspective, emphasizing that the NAFTA procurement provisions have been “critical” in enabling U.S. services providers to “bid and successfully secure contracts with government entities in both Canada and Mexico.”⁴⁵ The coalition also emphasized that the current framework has permitted U.S. services suppliers to “provide their services on a cross-border basis out of their home U.S. offices, thus bringing back value to the United States in terms of employment and economic growth.”⁴⁶ Finally, both of these commenters noted their support for continuing to allow U.S. services companies to fulfill U.S. government contracts with eligible goods and services produced through integrated supply chains.⁴⁷

⁴⁴ Comments submitted by the Computing Technology Industry Association (USTR-2017-0006-0669), June 12, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-0669>.

⁴⁵ Comments submitted by the Coalition of Services Industries (USTR-2017-0006-0669), June 15, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-1105>.

⁴⁶ Comments submitted by the Coalition of Services Industries (USTR-2017-0006-0669), June 15, 2017, <https://www.regulations.gov/document?D=USTR-2017-0006-1105>.

⁴⁷ Comments submitted by the Computing Technology Industry Association at 7; comments submitted by the Coalition of Services Industries at 2.

4. Outreach to Small Business Stakeholders

The Office of Advocacy, in cooperation with the Interagency Working Group (IWG) that Advocacy convened under the Trade Facilitation and Trade Enforcement Act (TFTEA), solicited the views of small businesses on the TFTEA priorities and USTR Negotiating Objectives for the NAFTA renegotiation. This chapter describes the working group's outreach effort and summarizes the small business participants' views on the priorities, challenges, and opportunities presented by the NAFTA renegotiation.

A. Interagency Working Group

After the May 2017 notification to Congress, Advocacy consulted with USTR to identify agencies to participate in the working group.⁴⁸ On June 14, 2017, Advocacy convened the IWG with representatives from:

- Office of the U.S. Trade Representative,
- U.S. Department of Agriculture,
- U.S. Department of Commerce,
- U.S. Department of Homeland Security,
- U.S. Department of State, and
- U.S. Small Business Administration, Office of International Trade

The working group had two major roles in the outreach process. First, Advocacy asked the working group members to help identify small businesses to provide input. Working group members recommended businesses that were knowledgeable about exporting and the requirements for conducting trade within the existing NAFTA regime. Second, the working group participated in an outreach meeting with these small businesses⁴⁹, reviewed their written comments, and offered further context and insight into the issues the small businesses raised.

B. Engaging with Small Businesses

In consultation with the interagency working group, Advocacy developed a preliminary overview of key policy themes and small business perspectives as a starting point for discussions with small businesses about the potential impacts of NAFTA renegotiation. Advocacy combined this

⁴⁸ The TFTEA requires participation by USTR and the Departments of Agriculture and Commerce.

⁴⁹ See Appendix for comprehensive list of stakeholders.

information with a presentation on economic metrics related to international trade between the United States, Canada, and Mexico. Advocacy used these materials in meetings with small businesses to facilitate discussion and focus small business input on U.S. negotiating objectives.

In order to hear directly from small businesses, Advocacy hosted a series of outreach meetings in various cities around the country selected to represent broad perspectives from small businesses in various industries related to manufacturing, agriculture, and services. Advocacy invited the working group members and representatives from their agencies to attend these meetings, as well as representatives from other offices within the Small Business Administration.

Advocacy invited affected small businesses through announcements on its listserv, website, and social media. Advocacy's network of Regional Advocates contacted local small business groups, and the local field offices of the working group agencies assisted with small business outreach to increase attendance and participation at the events. Working group members participated when possible.

Outreach meetings included an introduction to Advocacy and the working group, an overview of the information gathering process, and an open forum for small businesses to offer their views on the relevant issues in scope of this report. All participants were also encouraged to submit written comments.

Six outreach meetings took place in locations that had concentrations in the manufacturing, services and agriculture industries as required by TFTEA on these dates:

- Washington, D.C. (September 26, 2017);
- Detroit, Michigan (March 13, 2018);
- Milwaukee, Wisconsin (March 15, 2018);
- San Antonio, Texas (March 20, 2018);
- Houston, Texas (March 21, 2018); and
- Atlanta, Georgia (April 11, 2018).

In addition, Advocacy met with individual small business owners and staff, hosted conference calls, and made numerous site visits to small businesses to further explore the concerns of specific industries.

C. Priorities, Challenges and Opportunities Identified by Small Businesses

Advocacy conducted a broad outreach effort, hearing from a wide variety of small businesses in industries participating in international trade. Most of the small businesses that volunteered their time and expertise to participate in Advocacy's efforts were predisposed to favor the general scope of the current NAFTA. Most participants spoke favorably about the existing trade agreement, while

identifying areas of improvement and expressing a greater concern about uncertainty in the international trade environment.⁵⁰

Advocacy recognizes that the concerns expressed by small businesses that participated in the outreach sessions do not encompass the full range of small business views on the NAFTA or the NAFTA renegotiation. The small businesses that expressed opinions to Advocacy reflected their particular industries and their own business decisions

The views of participating small businesses on the issues identified in the U.S. negotiating objectives are summarized below.

Customs and Trade Facilitation

One of the most consistent refrains from the small businesses participants is the need for a more efficient and predictable system to move goods across borders. Current customs forms, procedures, and costs are too complex, leading to delays, unexpected costs, and general uncertainty. Most participating small businesses hope that the NAFTA renegotiation is an opportunity to increase regulatory coherence and simplify customs procedures across the free trade area, creating a more efficient, more transparent, and less burdensome process.

Small businesses commented about the paperwork burden on both sides of the border. Mr. Eckhart of C.F. Martin & Co., Inc. (Martin Guitar), located in Nazareth, PA, which imports to and exports from both Mexico and Canada, expressed the need to modernize paperwork for the importing and exporting of goods. Mr. Dettinger of Bimax Chemicals, a small manufacturer located in Glen Rock, PA, stated that in many cases shipments are held up at customs because of paperwork issues, and he believes that a computerized system that would immediately notify an exporter of an issue and provide a way for the exporter to easily and quickly correct the error would streamline the customs process by speeding processing.

Small business participants also commented that the customs process often lack transparency. Ms. Jarosz of TradeMoves, LLC, an international trade and customs advisory firm located in Silver Spring, MD, noted that Mexican customs rulings are not published, unlike similar rulings in the United States and Canada, and this puts small businesses exporting to Mexico at a particular disadvantage. Mr. Falgout of M.I.R. International, a consulting firm located in New Orleans, LA, reported wait times of over 30 days for customs clearance without clear explanations. Mr. Wrigley of Alaska Flour, a small manufacturer located in Delta Junction, AK, which hopes to begin exporting to Canada, raised similar concerns with potential delays and a lack of transparency.

Mr. Pittsford of Connoils, a nutritional ingredient manufacturer and distributor based in Waukesha, WI, said that his clients have reported that not having the right piece of paper or the proper stamp

⁵⁰ Small business participants mentioned concerns about proposed tariffs and China's trading practices. However, because these issues were not outlined in U.S. negotiating objectives for a renegotiated NAFTA, Advocacy considered these issues outside of the scope of this report.

has led to long delays in getting goods through to Mexico. Such delays are problematic for any business, but for a small business such a wait time can be disastrous, consuming money and resources they frequently do not have available. To that end, Mr. Martens of TCI, LLC, a manufacturer located in Germantown, WI, suggested that any changes to the NAFTA that would create an expedited process for getting goods across the border would be helpful for small businesses.

Mr. Cummings of Onyx Media, a video production provider located in Atlanta, GA, says that when transporting goods into Canada, regardless of the final destination of the goods, his business always goes through the same entry point so that the customs agents are familiar with their product and trucks. Mr. Cummings suggests that getting goods precleared would save money and time at the border.

Mrs. Streit of Stricks Ag, LLC, a grain merchandiser located in Chester, MT, reported on a challenge her company faces exporting agricultural commodities to Canada. She said that the products her company handles are limited in the entry points they can use unless they obtain a special permit, which is time-consuming and complicated. Even though the Montana border with Canada is over 500 miles long, the only two Montana ports approved by the USDA and FDA are Sweetgrass Station and Raymond, which are great distances for small farmers located in other parts of the region. Just as there are difficulties with exporting U.S. agricultural goods to the NAFTA partners, small businesses in the San Antonio, Texas area have also experienced delays importing agricultural goods into the United States from Mexico.

Conversely, there are small businesses, such as Mr. Cavagnaro of AdEdge Water Technologies located in Duluth, GA, reporting that the customs process of getting goods into Canada has been simple, and he has not experienced any delays. Mr. Woelke of Kozik & Woelke, PLC, a law firm specializing in global trade located in Bloomfield Hills, MI, stated that Mexico significantly modernized and streamlined all customs procedures since the NAFTA went into effect, and today Mexico's NAFTA procedures are more modern and efficient than the U.S. NAFTA certificate of origin procedures.

Rules of Origin

Small business participants noted that current rules of origin requirements are complex, and they stressed the importance of simplifying them. Mr. Eckhart of C.F. Martin & Co., Inc. (Martin Guitar), whose company imports significant amounts of raw materials, expressed concern that the current rules of origin requirements create a significant paperwork burden. He hoped that there would be a modernization of the rules. Mr. Martens of TCI, LLC also pushed for a more efficient and automated process. Mr. Hinkie of Holmes Corporation, a firm located in Eagan, MN that develops and delivers educational products to serve individuals worldwide that are seeking professional credentials and certifications, expressed a concern that any strengthening of the rules of origin would harm his company's competitiveness by creating barriers to importing less expensive raw materials.

Ms. Laxague of the U.S. Department of Commerce's U.S. and Foreign Commercial Service cited understanding the rules of origin requirements as an area where many small businesses seek assistance. Ms. Broad, representing the Michigan Economic Development Corporation, feared that renegotiation would make the requirements even more complex and added that the complexity of the NAFTA tracing requirements in automotive sectors is already too cumbersome for companies to navigate by themselves.

Mr. Woelke of Kozik & Woelke, PLC suggested rules of origin certification in the United States ought to be self-certifying and electronic so more small businesses could take advantage of the benefits, and he believed small businesses in particular were unduly burdened by having to hire outside consultants and extra in-house staff. Mr. Woelke hopes that technology advances such as blockchain could help solve tracking and tracing difficulties related to rules of origin in modern supply chains.

Mr. Dumont of the Tooling, Manufacturing & Technologies Association cautioned that any rules of origin system must adequately guard against trans-shipments of non-originating goods receiving the NAFTA treatment and benefits. Mr. Dumont explained that goods made outside of North America should be barred from taking advantage of the NAFTA benefits by trans-shipping through an intermediate North American location before reaching a final North American destination.

De Minimis Threshold

Small business participants generally agreed that the NAFTA renegotiations should address the disparate *de minimis* levels in the United States Canada and Mexico. Currently, the United States, Canada, and Mexico have widely varying *de minimis* thresholds: \$800 in the United States, approximately \$50 USD in Mexico, and approximately \$15 USD in Canada. Shipment values up to these levels enter each country without customs duties or taxes. Low *de minimis* thresholds generally protect Mexican and Canadian retailers from U.S. competition, particularly via e-commerce and direct sales, and increase costs for Canadian and Mexican consumers. The much higher U.S. level allows comparatively high value Mexican and Canadian goods (up to \$800) to enter the United States at a lower cost and with fewer restrictions.

While there are differing views regarding the best way to address this disparity, there seems to be some agreement among survey participants that the *de minimis* thresholds should be reexamined and ideally harmonized. Ms. Jarosz of TradeMoves, LLC, an international trade and customs advisory firm located in Silver Spring, MD, supports this objective, noting that low value U.S. shipments to Canada and Mexico are currently "subject to the same treatment as large commercial shipments." She also emphasized that increasing Canada's and Mexico's *de minimis* threshold to the current U.S. level of \$800 would "encourage small business shipments and e-commerce transactions" as well as an overall increase in the value of U.S. small business exports to Canada and Mexico. Given the potential benefit to U.S. small businesses, Ms. Jarosz hopes to ultimately see the *de minimis* thresholds raised to \$1,000 or more in all three markets. However, there was no consensus on the appropriate *de minimis* threshold among the small businesses that addressed this issue.

Visa Policy and the Temporary Movement of Workers

Visa policies and short-term border crossing for employees was an issue that was brought up at almost all small business NAFTA trade roundtables held by Advocacy. The overarching theme was

that the process was onerous, had unmanageable backlogs, fees were high, and the belief was that the system was built for large businesses and only they could overcome the hurdles and multiple steps to utilize the current process in a consistent manner.

Wisconsin Farm Bureau Federation's Ms. Gefvert stated, "So for agriculture, it's the H-2A program, and right now that is limited to seasonal or temporary employees. So dairy doesn't have an opportunity to use a visa program that would allow them to have year-round ... unskilled workers." Metropolitan Milwaukee Association of Commerce's Mr. Baas commented, "I just want to second the comments about the unwieldy backlogs of the H-1B program." AdEdge Water Technologies' Mr. Cavagnaro added that the visa process can be difficult to navigate and costly given the complexity and fees.

Some small firms were able to overcome the visa programs' barriers and rely upon foreign labor but still wanted changes to the programs. They favored a system that minimized burdens and maximized flexibility. C.F. Martin & Co., Inc. (Martin Guitar) discussed the importance of visa programs to maintain its manufacturing operations in both the United States and Mexico and travel between locations.

In addition to problems presented by long-term visa programs, many small businesses were concerned with perceived barriers to sending U.S. employees on temporary assignments in Canada and Mexico. Ms. Laxague of the Department of Commerce's Commercial Service mentioned that small business clients have expressed concern about their workers being held by Canadian customs and not given smooth entry. Mr. Berman of Immigration Attorneys, LLP, a law firm located in Milwaukee, WI, expressed that his clients have experienced inconsistent applications of the NAFTA requirements at different points of entry along the U.S. borders with both Mexico and Canada. Mr. Berman also stated that the visa process often seems stacked against U.S. small businesses as they are more likely to get their requests denied compared to more established and recognizable large businesses. However, the NAFTA Professional TN visa is a much smoother visa process for small businesses than H-1B or H-2B. Mr. Kazour of Petrotech, an engineering product and service company based in New Orleans, LA, mentioned that he needed to obtain visas for American engineers to work in Mexico and Canada. He complained that the requirement to travel to a Mexican or Canadian consulate in order to obtain a visa for short trips to Mexico was unduly burdensome. He proposed that U.S. personnel should be able to obtain work visas at the airport in Mexico or Canada and that a short period (one month) should be granted without having to apply at the embassy. Mr. Kazour also said that Canada requires U.S. companies to register and remit taxes when doing short support trips to Canadian customers, a burden that far outweighs the value of a once-a-year service trip over a couple days.

Mr. Welch of Aptronik Systems, a robotics company located in Austin, TX, expressed a similar view, asking for greater clarity on the visa process and options.

Regulatory Cooperation and Reciprocity

Small business participants expressed concerns with a lack of regulatory cooperation and consistency in standards and processes between the United States, Canada, and Mexico. In their experiences, small businesses were frustrated when they discovered after the fact that U.S. standards and compliance requirements were not recognized in Mexico and Canada, and this hindered their access to these markets. Without the internal resources that exist in larger companies, it was challenging for them to stay cognizant of regulations in foreign markets while complying with domestic regulations.

Ms. Echols, representing Nirmala's Kitchen and Farmstead located in Washington, DC, noted that a primary obstacle in importing and exporting is dealing with confusing domestic and foreign regulations. In order to start exporting to Canada, Nirmala's needed to partner with a third-party provider with the appropriate resources, knowledge, and experience shipping to Canada. Nirmala's credits this partnership for their success in accessing the Canadian market but recognizes that this approach might not be suitable for all small businesses. To make it easier for small businesses, especially new businesses, to navigate doing business in Canadian and Mexican markets, Ms. Echols stressed the importance of simplifying rules and guidance documents, as well as harmonizing labeling and food safety regulations. Mr. Welch of Aptronik Systems suggested consolidating regulatory information into a single portal to make the relevant requirements across countries more readily accessible. Similarly, Ms. Jarosz of TradeMoves, LLC recommended improving the accessibility of rulings and advanced classifications for products for the United States, Canada, and Mexico by providing them in a centralized, publicly available, and searchable database.

Ms. Jarosz pointed out that improvements in regulatory cooperation are a natural way to modernize the NAFTA. Ms. Jarosz recommended the creation of a permanent trilateral regulatory working group between the United States, Canada, and Mexico with a small business focus. The group would seek to reduce redundancy, improve predictability, minimize incompatibilities, and harmonize regulations across sectors. Additionally, Ms. Jarosz pushed for increased cooperation among the three countries to work toward reciprocity of standards and registration procedures. Specifically, removing Mexico's requirement for annual product approvals and minimizing product registration costs in Mexico and Canada would significantly benefit U.S. small businesses.

Mrs. Streit of Stricks Ag, LLC said differences in standards for grading grain function as a trade barrier to U.S. grain exports to Canada. Mrs. Streit noted that grain of U.S. origin exported to Canada is typically classified as "sample grade" regardless of its U.S. grade classification, lowering its market price. Canadian grains, however, receive a U.S. grade with Canadian origin and are not sold at a lower price. Mrs. Streit recommended creating a single grading standard system for grains in North America and predicted that this would lead to increased trade. Mr. Pittsford of Connoils expressed concern about differing standards across countries for certifying a product as organic. He stated that although a product may qualify as organic in the United States it may not meet organic requirements abroad. Mr. Newby of the Wisconsin Fair Trade Coalition, whose clients include family farms, noted that another challenge relates to imported agricultural goods being fraudulently

labeled as organic. Mr. Newby indicated that this is a major problem since Wisconsin's organic industry is expanding and is competing with these imported goods.

Mr. Kazour of Petrotech found disparate standards, certification, and licensing requirements to be costly, redundant barriers. He suggested mutually recognizable product certification and quality requirements in Mexico and the United States such as international standards. For Petrotech, it is time-consuming and expensive to certify products through Mexican laboratories in order to meet their national specifications. This process is made even more problematic when competing in a time-sensitive bid process and when there aren't significant quality differences between national and international certifications. Additionally, Mr. Kazour noted that differences in Mexican safety and health standards are a barrier to business opportunities, even when the U.S. standards are equivalent or higher. Mr. Kazour advocated for the adoption of international safety and health standards which are more easily attainable for U.S. companies. For the Canadian market, Mr. Kazour noted that small businesses would benefit from reciprocal recognition of professional engineering and contracting licenses. Undergoing the Canadian licensing process significantly increases the costs of doing business because it is largely duplicative, and makes it difficult to complete without a permanent local presence there.

Mr. Cavagnaro of AdEdge Water Technologies, which deploys water treatment solutions for community and industrial clients, also highlighted inconsistent regulatory standards as a point of concern. Specifically, he noted that Mexico's arsenic standard differs from the 10 parts-per-billion standard adopted by the United States, Canada, and the World Health Organization. While he recognized that it is up to Mexico to decide which level of arsenic should be permissible in the country, he advocated for bringing Mexico's standard in harmony with the rest of North America.

At the working group's outreach meeting in Milwaukee, WI, several small businesses from the agricultural sector emphasized the importance of applying consistent standards across countries.

Several business owners argued that consistent labor and environmental standards across a trading zone creates a level playing field, and that these issues should be a point of emphasis in the NAFTA.

Intellectual Property and Data Rights

Participating small businesses voiced broad support for stronger protections for their intellectual property (IP) and for data rights rules that would allow American small businesses to compete globally. Small businesses face challenges protecting their IP rights in Canada and Mexico, due in part to the costs of enforcing their rights in differing IP regimes across multiple jurisdictions. There is a clear need for more uniform protection of intellectual property rights across borders.

Small businesses stated that enforcing IP rights against infringing products in Canada and Mexico is costly and impractical. For instance, Mr. Finkelstein of Kason Industries, a commercial company located in Newnan, GA, described a situation in which Kason found Canadian manufacturers sourcing infringing products from China. Kason has attempted to hire counsel to protect its IP in Canada, but the process was extremely burdensome and ultimately ineffective. Kason managed to protect its IP by threatening to sue downstream U.S. buyers, but under past agreements the process of

protecting IP was enormously inefficient and ultimately fails to protect the value of the IP outside of the United States.

Mr. Hinkie of the Holmes Corporation stated that American small businesses face similar challenges of cross-border copyright enforcement, and he recommended a revised NAFTA should ensure that our treaty partners allow American small businesses to properly protect their IP.

These existing difficulties in enforcement may be dissuading U.S. small businesses from filing for IP protection in NAFTA partners. For instance, Mr. Welch of Apptronik Systems said that his company files patents in the United States and in Europe, but not in Canada or Mexico.

Trademark protection presents similar challenges, with questions of the need for multiple trademark registrations and the effectiveness of trademark enforcement. Small businesses like Petrotech, Alaska Flour, and Connoils urged reciprocity of protection for trademarks.

Mr. Dettinger of Bimax Chemicals raised the issue of protecting trade secrets and confidential business information (CBI) in regulatory compliance which falls outside of the formal IP protections of patent, trademark, or copyright. He said to ensure that, when NAFTA partners require the submission of trade secrets or CBI, the information should be protected from disclosure to the public or to competitors. He urged that a revised NAFTA directly address this issue to protect small business IP. Mr. Cavagnaro of AdEdge Water Technologies had similar concerns, noting that often in Mexico they would submit designs as part of a confidential proposal, at significant expense, only to later find out that a local firm had built the designs AdEdge Water Technologies proposed.

Digital Trade and Cross-Border Data Flows

Small business participants raised two issues with cross-border data flows. First, small businesses are concerned that data privacy will become a significant barrier to trade. Canada is seen as having fairly strong protections for data privacy, and some small businesses like Holmes Corporation suggested that U.S. provisions for data privacy may need to be strengthened to avoid problems offering digital services in Canada. Second, small businesses that discussed this issue agreed with the U.S. negotiating priority that would forbid any data localization rules (requiring data to be stored on servers physically located in the export market).

Trade Promotion and Assistance

A common theme of Advocacy's small business outreach was the need for greater assistance to small businesses engaged in trade with Canada and Mexico, and to those seeking to enter these markets. Small businesses requested assistance understanding customs processes and navigating them in real time. Ms. Echols, representing Nirmala's Kitchen and Farmstead, noted that her client needed to partner with a larger third party that has the funds, staff, and experience in order to break into the Canadian market. The reliance on larger third parties can be costly and does not necessarily contribute to the long-term viability of a small business exporter. Ms. Echols suggested simplifying rules and guidance documents. She further recommended that the U.S. Small Business Administration take a more active role in providing financial support that will allow small exporters

to expand to international markets, and increase public-private partnership opportunities for small business.

Similarly, small businesses look to Mexico and Canada to help navigate their governmental processes. Mr. Falgout of M.I.R. International specifically recommended that Mexico provide a better channel for identifying and resolving customs issues.

Finally, through small business outreach and subsequent consultation with IWG members, Advocacy identified areas where existing federal efforts to promote exports and educate small businesses could be improved. For example, Mr. Wrigley of Alaska Flour suggested creating a single website where small businesses could get information on how to export and obtain any relevant paperwork. Ms. Laxague of the U.S. Commercial Service mentioned that the federal government portal, [Export.gov](https://www.export.gov/), aims to be a one-stop-shop for assistance and education on exporting but can fall short for small businesses with specific product-related questions about eligibility for the NAFTA. Ms. Laxague said that the majority of the questions she receives deal with the NAFTA, and it is challenging to have a single website cover all of the requirements arising from multiple federal agencies for the entire range of traded products.

While small businesses requested greater accessibility and transparency for promoting and assisting in trade with Canada and Mexico, there were some in attendance during the outreach process who praised SBA for their efforts. Michigan Economic Development Corporation's Ms. Broad stated, "SBA, through the STEP program, has given us grants that we can give to companies that helps them to go to the market, understand the market, get access to information they need to be successful in Canada and Mexico... SBA has done a lot by providing support to negotiate the trade issues around here to help companies be successful. So, I just wanted to make that point—that SBA has added extreme value to our state in helping to set up that program and support small business."⁵¹

D. State-Owned Enterprises Identified by Small Businesses

Small businesses identified only two state-owned enterprises (SOEs) of concern, both in Mexico: the Federal Electricity Commission (CFE) and the Mexican state-owned petroleum company, PEMEX.

Mr. Kazour of Petrotech expressed concerns regarding these two SOEs and the barriers they present to providing goods and services for the Mexican electricity and petrochemical markets. He raised three issues: product certification, safety standards, and trademark registration. He also said that at times, these SOEs exclude American companies from bids based on not having enough national integration.

First, CFE requires companies doing business in Mexico to get certified through its designated testing laboratory, LAPEM. Mr. Kazour said this is an expensive, time-consuming process that

⁵¹ The SBA STEP program stands for the State Trade and Export Promotion Grant Initiative, <https://www.sba.gov/content/state-trade-and-export-promotion-step-pilot-grant-initiative-cfda-59061-1>.

provides no value over alternative international standards like ISO-9000, the National Electrical Manufacturers Association (NEMA), and Underwriters Laboratories (UL).

Second, Mr. Kazour said that CFE and PEMEX sometimes exclude American companies from contracts because they are not explicitly meeting Mexican-specific safety standards when providing on-site services. On this point as well, Mr. Kazour suggested that these SOEs should accept equivalent alternative standards, like Occupational Safety and Health Administration (OSHA) standards or ISNetworld standards.

Third, Mr. Kazour said that CFE and PEMEX at times require that trademarks be registered in Mexico. According to Mr. Kazour, this requirement does not serve a legitimate business purpose and adds significant costs and bureaucracy. Mr. Kazour recommended that all trademarks issued in the United States be accepted in Mexico.

E. Federal Rules Inconsistent with the NAFTA Renegotiation

The participating small businesses did not identify any federal regulatory programs that would need to be revised to be in compliance with a renegotiated NAFTA consistent with U.S. objectives.

5. Conclusion

When the Administration informed Congress of the intent to renegotiate the NAFTA in May 2017, the Office of Advocacy began the process of soliciting views of small businesses as outlined in the Trade Facilitation and Trade Enforcement Act (TFTEA). In accordance with the statute, Advocacy convened an Interagency Working Group (IWG) and gathered small business input on the priorities, challenges, and opportunities presented by the NAFTA renegotiation.

Small businesses are an integral part of international trade in the United States. As with the economy at large, the vast majority of exporters are small businesses, but they represent a smaller fraction of export value than their numbers would suggest. Small businesses make up 98 percent of exporters, but account for only about a third of total export value compared to about 36 percent of total domestic sales.⁵² Small businesses also participate in international trade as participants in the supply chains of other exporters; so even though they may not directly export, they are affected by international trade. The impacts of international trade on small businesses have not been well-defined and there remain significant policy questions about the impacts of trade agreements on the ability of U.S. small businesses to compete domestically and internationally. Getting feedback directly from small businesses is imperative to understanding how international trade affects them.

The Office of the U.S. Trade Representative (USTR) has primary responsibility for coordination of U.S. trade policy and leads U.S. international trade negotiations. USTR also consults broadly with stakeholders and assisted Advocacy in creating the Interagency Working Group for this report, which consisted of representatives from federal agencies supporting small businesses in international trade. The working group helped identify small businesses engaged in or interested in trade with Canada and Mexico, provided invaluable knowledge into the interaction of small businesses and the NAFTA, participated in outreach meetings, and provided context for the issues raised by small businesses. Small businesses participated in interviews and six outreach meetings in Georgia, Michigan, Texas (San Antonio and Houston), Washington, DC, and Wisconsin.

The small business participants were mainly exporters who had integrated the NAFTA into their business models, and their comments largely followed small business stakeholder comments submitted to USTR in May 2017. Small businesses felt that the NAFTA needs to be modernized, and certain issues of concern about the NAFTA impacting U.S. small business need to be resolved. These small businesses also said that the United States, Canada, and Mexico need to better facilitate the movement of goods and services across borders with better regulatory harmonization, more consistent and simplified customs procedures, and stronger U.S. export promotion efforts.

⁵² U.S. Department of Commerce (DOC), U.S. Census Bureau, *2012 Statistics of U.S. Businesses*, October 2016.

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Appendix A: Statistics on U.S. Trade with Canada and Mexico

Table 3: Distribution of Export Value to Mexico by Firm Size, 2012

Industry of Product	Share of Export Value (percent)	
	Small Business	Large Business
Total Known Export Value to Mexico (\$million)	\$60,926	\$137,363
Manufactured products' share by industry (percent)		
Computer and electronic products	14.80	19.62
Petroleum and coal products	10.73	10.12
Chemical	10.56	11.38
Machinery	9.82	8.53
Transportation equipment	6.75	15.83
Food	6.25	3.97
Primary metal	6.13	4.49
Electrical equipment, appliance, and components	5.10	5.05
Fabricated metal products	4.46	3.72
Plastics and rubber products	4.13	3.94
Paper	3.20	1.93
Miscellaneous	2.65	1.89
Textile mills	1.51	1.38
Nonmetallic mineral products	0.84	0.63
Apparel	0.73	0.24
Beverage and tobacco products	0.69	0.32
Wood products	0.67	0.13
Leather and allied products	0.55	0.24
Printing and related support activities	0.40	0.22
Textile product mills	0.30	0.19
Furniture and related products	0.29	0.27
All manufactured products' share of exports	90.56	94.08
All nonmanufactured products' share of exports*	9.44	5.92
	100.0	100.0

Source: U.S. Department of Commerce, International Trade Administration, Exporter Database. *Nonmanufactured exports to Mexico include corn, wheat, soybeans, oil, and copper. Prepared under Advocacy research contract number: SBAHQ-14-M-0104.

Table 4: Distribution of Export Value to Canada by Firm Size, 2012

Industry of Product	Share of Export Value (percent)	
	Small Business	Large Business
Total Known Export Value to Canada (\$million)	\$57,139	\$167,739
Manufactured products' share by industry (percent)		
Machinery manufacturing	12.60	11.30
Transportation equipment manufacturing	12.52	27.38
Chemical manufacturing	9.83	11.48
Computer and electronic product manufacturing	8.42	10.66
Primary metal manufacturing	7.06	5.01
Food manufacturing	5.47	4.98
Fabricated metal product manufacturing	4.93	2.99
Petroleum and coal products manufacturing	4.12	5.25
Plastics and rubber products manufacturing	3.64	2.79
Apparel manufacturing	0.86	0.17
Beverage and tobacco product manufacturing	0.74	0.42
Electrical equipment, appliance, and component manufacturing	3.56	3.82
Miscellaneous manufacturing	3.05	2.27
Paper manufacturing	1.96	2.24
Wood product manufacturing	1.68	0.33
Printing and related support activities	1.17	0.85
Nonmetallic mineral product manufacturing	1.07	1.11
Furniture and related product manufacturing	0.97	0.72
Textile mills	0.53	0.22
Leather and allied product manufacturing	0.43	0.23
Textile product mills	0.42	0.39
All manufactured products' share of exports	85.05	94.62
All nonmanufactured products' share of exports*	14.95	5.38
	100.0	100.0

Source: U.S. Department of Commerce, International Trade Administration, Exporter Database.

*Non-manufactured exports to Canada include oil, fruits, vegetables, nuts, and iron ore. Prepared under Advocacy research contract number: SBAHQ-14-M-0104.

Appendix B: List of Participating Small Business Stakeholders

Bryce Wrigley, Chief Executive Officer and Co-Owner
Alaska Flour Company
Delta Junction, AL

Bill Welch, Chief Executive Officer
Apptronik Systems
Austin, TX

Joe Dettinger, Director, EHS&S and Government Relations
Bimax, Inc.
Glen Rock, PA

Nathan Eckhart, Chief Financial Officer
C.F. Martin & Co., Inc. (Martin Guitar)
Nazareth, PA

Marc Fischer, President and Co-Founder
Dogtown Media
Venice, CA

John Hartnett, Vice President of Global Business Development
Endoscopy Replacement Parts, Inc.
Newberry, FL

Erik Hinkie, Chief Information Officer
Holmes Corporation
Eagan, MN

Burl Finkelstein, Vice President of Operations
Kason Industries, Inc.
Newnan, GA

Mark Rice, Chief Executive Officer and President
Maritime Applied Physics Corporation
Baltimore, MD

Allison Falgout, President
L.J. Falgout III, Vice President of Operations
M.I. R. International
New Orleans, LA

Marsha Echols, Counsel
Nirmala's Kitchen & Farmstead
Washington, DC

John A. Kazour, Chief Executive Officer and President
Petrotech, Inc.
New Orleans, LA

Rob Mayer, President
Queen City Forging Company
Cincinnati, OH

Brian O'Shaughnessy, Chairman
Revere Copper Products, Inc.
Rome, NY

Jillien Streit, Owner and Chief Financial Officer
Stricks Ag, LLC
Chester, MT

John Morgan, Vice President
Supreme Rice and Louisiana Rice Mill
Crowley, LA

Shawn Jarosz, President and Founder
TradeMoves, LLC
Silver Spring, MD

Charles Barnes, Principal
C Patrick Advisors
Livonia, MI

Jeanne Broad, International Trade Manager
Cherry Brendan, International Trade Manager
Nazaret Sandoval, Environmental Engineer
Michigan Economic Development Corporation
Lansing, MI

Robert Dumont, President
Tooling, Manufacturing & Technologies
Association
Farmington Hills, MI

Daniel Lai, Communications Manager
Detroit Regional Chamber
Detroit, MI

Laura Matusiak, International Account Manager
Nustep
Ann Arbor, MI

Tony Stamas, Vice President of Government
Relations
Small Business Association of Michigan
Lansing, MI

Montansar Virk, Chief Executive Officer
Epic Translations
Canton, MI

Edward Weglarz, Vice President
Associated Food and Petroleum Dealers
West Bloomfield, MI

Neil Woelke, Principal
KozikWoelke Customs & International Trade
Law
Bloomfield Hills, MI

Rogelio Landin, Executive Director
U.S. Mexico Chamber of Commerce, Great
Lakes Chapter
Detroit, MI

Charles Capers, Senior Business Advisor
Carmen Strong, Senior Business Finance
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Hector Escobar, Senior Vice President
BBVA Compass
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Gladys House
Carpet Depot
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Horacio Licon, Vice President and International
Investment & Trade

John Cypher, Director, Americas
Greater Houston Partnership
Houston, TX

David Morse, President
DBM Consulting & Associates
Houston, TX

David Reed, Director BD and M&A Integration
Entrematic
Carrollton, TX

Mauro Togneri, Consultant
Institute of Electrical and Electronics Engineers
Houston, TX

Viola Casares, Co-Director and Co-Founder
Petra Mata, Co-Director & Co-Founder
Fuerza Unida
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Officer
San Antonio Manufacturers Association
San Antonio, TX

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Strasburger & Price
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Rossie Ortiz, Owner
SAT Energy Inc.
San Antonio, TX

Debbie Pedigo, Owner and Staffing Consultant
Pedigo Construction & Engineering
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Judith Rodriguez, Retired
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Jorge G Sanchez, Owner
THOR Energy
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Yolanda Suarez, International Sales
Representative at Triple-S/Intsel Steel
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Triple-S/Intsel Steel Distributors
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Jorge Sanchez, Director of Special Projects
SAT Energy Inc.
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George Kelemen, President and Chief Executive
Officer
Texas Retailers Association
Austin, TX

Rick Adamski, Farm Owner and Operator
Full Circle Community Farm
Seymour, WI

Paul Martens, Director of Operations
Michelle Bauer, Human Resources Manager
TCI, LLC
Germantown, WI

Hazel Beck, Director
Veterans Business Outreach Center
Chicago, IL

Stephen Berman, Lawyer
Immigration Attorneys, LLP
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Andrew Davis, Director of Governmental Affairs
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Wisconsin Fair Trade Coalition
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Stacy Peterson, President
Philip Pittsford, International Sales
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Agri Business Coalition
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Aaron Stauffacher, Associate Director of
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Dairy Business Association
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AdEdge Water Technologies
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Ted Cummings, Chief Executive Officer
Onyx Media Services
Atlanta, GA

Jarmain Morrow, Business Development
Manager
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Christine Connell, Public Affairs Officer
Daniel Tremblay, Foreign Policy and
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Consulate General of Canada – Detroit
Detroit, MI

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Southfield, MI

Christian Bionat, District Director
Office of U.S. Congressman Pete Olsen
Pearland, TX

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Office of U.S. Senator Ted Cruz
Houston, TX

Mark Winchester, Deputy District Director
Tim Jeffcoat, District Director
U.S. Small Business Administration
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Joey Pawlik
Texas House of Representatives, District 120
Office of Rep. Barbara Gervin-Hawkins

Javier Salinas, South Central Texas Deputy
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Annie Hudspeth, Lender Relations Specialist
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Robert Pengelly, Consul
Consulate General of Canada
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Shirah Apple, Public Affairs Specialist
Eric Ness, District Director
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Georgia Small Business Environmental
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Office of Congressman Bob Woodall
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Drew Ferguson, Regional Director
U.S. Senator Johnny Isaacson
Atlanta, GA

Appendix C:

U.S. Trade Representative Negotiating Objectives

Summary of Specific Negotiating Objectives for the Initiation of NAFTA Negotiations⁵³

Trade in Goods:

- Improve the U.S. trade balance and reduce the trade deficit with the NAFTA countries.

Industrial Goods

- Maintain existing reciprocal duty-free market access for industrial goods and strengthen disciplines to address non-tariff barriers that constrain U.S. exports to NAFTA countries.
- Maintain existing duty-free access to NAFTA country markets for U.S. textile and apparel products and seek to improve competitive opportunities for exports of U.S. textile and apparel products while taking into account U.S. import sensitivities.
- Promote greater regulatory compatibility with respect to key goods sectors to reduce burdens associated with unnecessary differences in regulation, including through regulatory cooperation where appropriate.

Agricultural Goods

- Maintain existing reciprocal duty-free market access for agricultural goods.
- Expand competitive market opportunities for U.S. agricultural goods in NAFTA countries, substantially equivalent to the competitive opportunities afforded foreign exports into the U.S. market, by reducing or eliminating remaining tariffs.
- Seek to eliminate non-tariff barriers to U.S. agricultural exports including discriminatory barriers, restrictive administration of tariff rate quotas, other unjustified measures that unfairly limit access to markets for U.S. goods, such as cross subsidization, price discrimination, and price undercutting.
- Provide reasonable adjustment periods for U. S. import sensitive agricultural products, engaging in close consultation with Congress on such products before initiating tariff reduction negotiations.
- Promote greater regulatory compatibility to reduce burdens associated with unnecessary differences in regulation, including through regulatory cooperation where appropriate.

⁵³ “Summary of Objectives for the NAFTA Renegotiation,” Office of the U.S. Trade Representative, Executive Office of the President. July 17, 2017, pages 4-17.

Sanitary and Phytosanitary Measures (SPS):

- Provide for enforceable SPS obligations that build upon WTO rights and obligations, including with respect to science based measures, good regulatory practice, import checks, equivalence, and regionalization, making clear that each country can set for itself the level of protection it believes to be appropriate to protect food safety, and plant and animal health in a manner consistent with its international obligations.
- Establish a mechanism to resolve expeditiously unwarranted barriers that block the export of U.S. food and agricultural products.
- Establish new and enforceable rules to ensure that science-based SPS measures are developed and implemented in a transparent, predictable, and non-discriminatory manner.
- Improve communication, consultation, and cooperation between governments to share information and work together on SPS issues in a transparent manner, including on new technologies.
- Provide for a mechanism for improved dialogue and cooperation to address SPS issues and facilitate trade where appropriate and possible.

Customs, Trade Facilitation, and Rules of Origin:

Customs and Trade Facilitation:

- Build on and set high standards for implementation of WTO agreements involving trade facilitation and customs valuation.
- Increase transparency by ensuring that all customs laws, regulations, and procedures are published on the Internet as well as designating points of contact for questions from traders.
- Ensure that, to the greatest extent possible, shipments are released immediately after determining compliance with applicable laws and regulations and provide for new disciplines on timing of release, automation, and use of guarantees.
- Provide for streamlined and expedited customs treatment for express delivery shipments, including for shipments above any de minimis threshold. Provide for a de minimis shipment value comparable to the U.S. de minimis shipment value of \$800.
- Ensure that NAFTA countries administer customs penalties in an impartial and transparent manner, and avoid conflicts of interest in the administration of penalties.
- Provide for automation of import, export, and transit processes, including through supply chain integration; reduced import, export, and transit forms, documents, and formalities; enhanced harmonization of customs data requirements; and advance rulings regarding the treatment that will be provided to a good at the time of importation.
- Provide for both administrative and judicial appeal of customs decisions.
- Provide for electronic payment of duties, taxes, fees, and charges imposed on or in connection with importation or exportation.
- Provide for the use of risk management systems for customs control and post-clearance audit procedures to ensure compliance with customs and related laws.
- Provide for disciplines on the use of customs brokers, pre-shipment inspection, and the use of reusable containers.
- Establish a committee for Parties to share information and cooperate on trade priorities with a view to resolving inconsistent treatment of commercial goods.

Rules of Origin:

- Update and strengthen the rules of origin, as necessary, to ensure that the benefits of NAFTA go to products genuinely made in the United States and North America.

- Ensure the rules of origin incentivize the sourcing of goods and materials from the United States and North America.
- Establish origin procedures that streamline the certification and verification of rules of origin and that promote strong enforcement, including with respect to textiles.
- Promote cooperation with NAFTA countries to ensure that goods that meet the rules of origin receive NAFTA benefits, prevent duty evasion, and combat customs offences.

Technical Barriers to Trade (TBT):

- Require NAFTA countries to apply decisions and recommendations adopted by the WTO TBT Committee that apply, *inter alia*, to standards, conformity assessment, transparency, and other areas.
- Include strong provisions on transparency and public consultation that require the NAFTA countries to publish drafts of technical regulations and conformity assessment procedures, allow stakeholders in other countries to provide comments on those drafts, and require authorities to address significant issues raised by stakeholders and explain how the final measure achieves the stated objectives.
- Ensure national treatment of conformity assessment bodies without conditions or limitations and encourage the use of international conformity assessment recognition arrangements to facilitate the acceptance of conformity assessment results.
- Establish an active TBT Chapter Committee that will discuss bilateral and third party specific trade concerns, coordination of regional and multilateral activities, regulatory cooperation, and implementing Good Regulatory Practices.

Good Regulatory Practices:

- Obtain commitments that can facilitate market access and promote greater compatibility among U.S., Canadian, and Mexican regulations, including by:
 - Ensuring transparency and accountability in the development, implementation, and review of regulations, including by publication of proposed regulations;
 - Providing meaningful opportunities for public comment in the development of regulations;
 - Promoting the use of impact assessments and other methods of ensuring regulations are evidence-based and current, as well as avoiding unnecessary redundancies; and
 - Applying other good regulatory practices.

Trade in Services, Including Telecommunications and Financial Services:

Trade in Services:

- Secure commitments from NAFTA countries to provide fair and open conditions for services trade, including through:
 - Rules that apply to all services sectors, including rules that prohibit:
 - Discrimination against foreign services suppliers;
 - Restrictions on the number of services suppliers in the market; and
 - Requirements that cross-border services suppliers first establish a local presence,
 - Specialized sectoral disciplines, including rules to help level the playing field for U.S. delivery services suppliers in the NAFTA countries; and
 - Where any exceptions from core disciplines are needed, the negotiation, on a negative list basis, of the narrowest possible exceptions with the least possible impact on U.S. firms.
- Improve the transparency and predictability of the regulatory procedures in the NAFTA countries.

Telecommunications:

- Promote competitive supply of telecommunications services by facilitating market entry through transparent regulation and an independent regulator.
- Secure commitments to provide reasonable network access for telecommunications suppliers through interconnection and access to physical facilities and scarce resources.
- Establish provisions protecting telecommunications services suppliers' choice of technology.

Financial Services:

- Expand competitive market opportunities for United States financial service suppliers to obtain fairer and more open conditions of financial services trade.
- Improve transparency and predictability in their respective financial services regulatory procedures.
- Ensure that the NAFTA countries refrain from imposing measures in the financial services sector that restrict cross-border data flows or that require the use or installation of local computing facilities.

Digital Trade in Goods and Services and Cross-Border Data Flows:

- Secure commitments not to impose customs duties on digital products (e.g., software, music, video, e-books).
- Ensure non-discriminatory treatment of digital products transmitted electronically and guarantee that these products will not face government-sanctioned discrimination based on the nationality or territory in which the product is produced.
- Establish rules to ensure that NAFTA countries do not impose measures that restrict cross-border data flows and do not require the use or installation of local computing facilities.
- Establish rules to prevent governments from mandating the disclosure of computer source code.

Investment:

- Establish rules that reduce or eliminate barriers to U.S. investment in all sectors in the NAFTA countries.
- Secure for U.S. investors in the NAFTA countries important rights consistent with U.S. legal principles and practice, while ensuring that NAFTA country investors in the United States are not accorded greater substantive rights than domestic investors.

Intellectual Property:

- Promote adequate and effective protection of intellectual property rights, including through the following:
 - Ensure accelerated and full implementation of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), particularly with respect to meeting enforcement obligations under TRIPS.
 - Ensure provisions governing intellectual property rights reflect a standard of protection similar to that found in U.S. law.
 - Provide strong protection and enforcement for new and emerging technologies and new methods of transmitting and distributing products embodying intellectual property, including in a manner that facilitates legitimate digital trade.
 - Prevent or eliminate discrimination with respect to matters affecting the availability, acquisition, scope, maintenance, use, and enforcement of intellectual property rights.
 - Ensure standards of protection and enforcement that keep pace with technological developments, and in particular ensure that rightsholders have the legal and technological

- means to control the use of their works through the Internet and other global communication media, and to prevent the unauthorized use of their works.
 - Provide strong standards enforcement of intellectual property rights, including by requiring accessible, expeditious, and effective civil, administrative, and criminal enforcement mechanisms.
 - Prevent or eliminate government involvement in the violation of intellectual property rights, including cybertheft and piracy.
- Secure fair, equitable, and nondiscriminatory market access opportunities for United States persons that rely upon intellectual property protection.
- Respect the Declaration on the TRIPS Agreement and Public Health, adopted by the World Trade Organization at the Fourth Ministerial Conference at Doha, Qatar on November 14, 2001, and to ensure that trade agreements foster innovation and promote access to medicines.
- Prevent the undermining of market access for U.S. products through the improper use of a country's system for protecting or recognizing geographical indications, including failing to ensure transparency and procedural fairness and protecting generic terms.

Transparency:

- Commit each Party to provide levels of transparency, participation, and accountability in the development of regulations and other government decisions that are comparable to those under U.S. law with respect to federal statutes and regulations. In particular, seek commitments:
 - To promptly publish laws, regulations, administrative rulings of general application, and other procedures that affect trade and investment;
 - To provide adequate opportunities for stakeholder comment on measures before they are adopted and finalized; and
 - To provide a sufficient period of time between final publication of measures and their entry into force.
- Seek standards to ensure that government regulatory reimbursement regimes are transparent, provide procedural fairness, are nondiscriminatory, and provide full market access for United States products.

State-Owned and Controlled Enterprises:

- Define SOEs on the basis of government ownership or government control through ownership interests, including situations of control through minority shareholding.
- Retain the ability to support SOEs engaged in providing domestic public services.
- Ensure that SOEs accord non-discriminatory treatment with respect to purchase and sale of goods and services.
- Ensure that SOEs act in accordance with commercial considerations with respect to such purchases and sales.
- Ensure that strong subsidy disciplines apply to SOEs, beyond the disciplines set out in the WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement).
- Require that SOEs not cause harm to another Party through provision of subsidies.
- Require that SOEs not cause harm to the domestic industry of another Party via subsidized SOE investment.
- Ensure impartial regulation of SOEs, designated monopolies, and private companies.
- Provide jurisdiction to courts over the commercial activities of foreign SOEs (i.e., limited sovereign immunity).

- Allow Parties to request information related to the level of government ownership and control of a given enterprise, and the extent of government support.
- Develop fact-finding mechanism based on Annex 5 of the WTO SCM Agreement to help overcome the evidentiary problems associated with litigation on SOEs.

Competition Policy:

- Maintain rules that prohibit anticompetitive business conduct, as well as fraudulent and deceptive commercial activities that harm consumers.
- Establish or affirm basic rules for procedural fairness on competition law enforcement.
- Promote cooperation on competition enforcement-related matters.

Labor:

- Bring the labor provisions into the core of the Agreement rather than in a side agreement.
- Require NAFTA countries to adopt and maintain in their laws and practices the internationally recognized core labor standards as recognized in the ILO Declaration, including:
 - Freedom of association and the effective recognition of the right to collective bargaining;
 - Elimination of all forms of forced or compulsory labor;
 - Effective abolition of child labor and a prohibition on the worst forms of child labor; and
 - Elimination of discrimination in respect of employment and occupation.
- Require NAFTA countries to have laws governing acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.
- Establish rules that will ensure that NAFTA countries do not waive or derogate from their labor laws implementing internationally recognized core labor standards in a manner affecting trade or investment between the parties.
- Establish rules that will ensure that NAFTA countries do not fail to effectively enforce their labor laws implementing internationally recognized core labor standards and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health laws through a sustained or recurring course of action or inaction, in a manner affecting trade or investment between the parties.
- Require that NAFTA countries take initiatives to prohibit trade in goods produced by forced labor, regardless of whether the source country is a NAFTA country.
- Provide access to fair, equitable, and transparent administrative and judicial proceedings.
- Ensure that these labor obligations are subject to the same dispute settlement mechanism that applies to other enforceable obligations of the Agreement.
- Establish a means for stakeholder participation, including through public advisory committees, as well as a process for the public to raise concerns directly with NAFTA governments if they believe a NAFTA country is not meeting its labor commitments.
- Establish or maintain a senior-level Labor Committee, which will meet regularly to oversee implementation of labor commitments, and include a mechanism for cooperation and coordination on labor issues, including opportunities for stakeholder input in identifying areas of cooperation.

Environment:

- Bring the environment provisions into the core of the Agreement rather than in a side agreement.
- Establish strong and enforceable environment obligations that are subject to the same dispute settlement mechanism that applies to other enforceable obligations of the Agreement.

- Establish rules that will ensure that NAFTA countries do not waive or derogate from the protections afforded in their environmental laws for the purpose of encouraging trade or investment.
- Establish rules that will ensure that NAFTA countries do not fail to effectively enforce their environment laws through a sustained or recurring course of action or inaction, in a manner affecting trade or investment between the parties.
- Require NAFTA countries to adopt and maintain measures implementing their obligations under select Multilateral Environment Agreements (MEAs) to which the NAFTA countries are full parties, including the Convention on International Trade in Endangered Species of Wild Fauna and Flora.
- Establish a means for stakeholder participation, including commitments for public advisory committees, and a process for the public to raise concerns directly with its government if they believe it is not meeting its environment commitments.
- Require NAFTA countries to ensure access to fair, equitable and transparent administrative and judicial proceedings for enforcing their environmental laws, and provide appropriate sanctions or remedies for violations of their environmental laws.
- Provide for a framework for conducting, reviewing, and evaluating cooperative activities that support implementation of the environment commitments, and for public participation in these activities.
- Establish or maintain a senior-level Environment Committee, which will meet regularly to oversee implementation of environment commitments, with opportunities for public participation in the process.
- Combat illegal fishing, unreported, and unregulated (IUU) including by implementing port state measures and supporting increased monitoring and surveillance.
- Establish rules to prohibit harmful fisheries subsidies, such as those that contribute to overfishing and IUU fishing, and pursue transparency in fisheries subsidies programs.
- Promote sustainable fisheries management and long-term conservation of marine species, including sharks, sea turtles, seabirds and marine mammals.
- Protect and conserve flora and fauna and ecosystems, including through action by countries to combat wildlife and timber trafficking.

Anti-Corruption:

- Secure provisions committing each Party to criminalize government corruption, to take steps to discourage corruption, and to provide adequate penalties and enforcement tools in the event of prosecution of persons suspected of engaging in corrupt activities. In particular by:
 - Requiring the adoption or maintenance of requirements for companies to maintain accurate books and records, which facilitate the detection and tracing of corrupt payments;
 - Encouraging the establishment codes of conduct to encourage high ethical standards among public officials; and
 - Requiring parties to disallow the deduction of corrupt payments for income tax purposes.

Trade Remedies:

- Preserve the ability of the United States to enforce rigorously its trade laws, including the antidumping, countervailing duty, and safeguard laws.
- Eliminate the NAFTA global safeguard exclusion so that it does not restrict the ability of the United States to apply measures in future investigations.
- Eliminate the Chapter 19 dispute settlement mechanism.

- Seek a separate domestic industry provision for perishable and seasonal products in AD/CVD proceedings.
- Exclude state-owned enterprises as part of the domestic industry in AD/CVD proceedings.
- Facilitate the ability to impose measures based on third country dumping.
- Promote cooperation among the trade remedies administrators of the NAFTA countries, particularly with regards to the sharing of information that would improve the ability of administrators to effectively monitor and address trade remedies violations, such as through self-initiation.
- Strengthen existing procedures and create new procedures to address AD/CVD duty evasion, including the ability to conduct AD/CVD verification visits.
- Establish transparency and due process obligations reflected in U.S. AD/CVD laws, regulations, and practice.
- Establish an early warning import monitoring system for agreed sensitive products from non-NAFTA countries.

Government Procurement:

- Increase opportunities for U.S. firms to sell U.S. products and services into the NAFTA countries.
- Establish fair, transparent, predictable, and non-discriminatory rules to govern government procurement in the NAFTA countries, including rules mirroring existing U.S. government procurement practices such as:
 - Publishing information on government procurement opportunities in a timely manner;
 - Ensuring sufficient time for suppliers to obtain tender documentation and submit bids;
 - Ensuring that procurement will be handled under fair procedures;
 - Ensuring that contracts will be awarded based solely on the evaluation criteria specified in the notices and tender documentation; and
 - Providing impartial administrative or judicial review authority to review challenges or complaints.
- Exclude sub-federal coverage (state and local governments) from the commitments being negotiated. Keep in place domestic preferential purchasing programs such as:
 - Preference programs for small businesses, women and minority owned businesses (which includes Native Americans), service-disabled veterans, and distressed areas;
 - “Buy America” requirements on Federal assistance to state and local projects, transportation services, food assistance, and farm support; and
 - Key Department of Defense procurement.
- Maintain broad exceptions for government procurement regarding:
 - National security;
 - Measures necessary to protect public morals, order, or safety;
 - Protecting human, animal, or plant life or health; and
 - Protecting intellectual property.
- Maintain ability to provide for labor, environmental, and other criteria to be included in contracting requirements.

Small and Medium-Sized Enterprises:

- Secure commitment by NAFTA countries to provide information resources to help small businesses navigate FTA requirements for exporting to the NAFTA markets.
- Cooperate on SME issues of mutual interest.
- Establish an SME Committee to ensure that the needs of SMEs are considered as the Agreement is implemented in order for SMEs to benefit from new commercial opportunities.

Energy:

- Preserve and strengthen investment, market access, and state-owned enterprise disciplines benefitting energy production and transmission and support North American energy security and independence, while promoting continuing energy market-opening reforms.

Dispute Settlement:

- Encourage the early identification and settlement of disputes through consultation and other mechanisms.
- Establish a dispute settlement mechanism that is effective, timely, and in which panel determinations are based on the provisions of the Agreement and the submissions of the parties and are provided in a reasoned manner.
- Establish a dispute settlement process that is transparent by:
 - Requiring that parties' submissions be made publicly available;
 - Requiring that hearings be open to the public;
 - Requiring that final determinations by a panel be made publicly available; and
 - Ensuring that non-governmental entities have the right to request making written submissions to a panel.
- Have provisions that encourage compliance with the obligations of the Agreement.

General Provisions:

- Include general exceptions that allow for the protection of legitimate U.S. domestic objectives, including the protection of health or safety and essential security, among others.

Currency:

- Through an appropriate mechanism, ensure that the NAFTA countries avoid manipulating exchange rates in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage.

Appendix D:

Report Mandate from the Trade Facilitation and Trade Enforcement Act of 2015, Title V, Section 502

TITLE V—SMALL BUSINESS TRADE ISSUES AND STATE TRADE COORDINATION

SEC. 502. OUTREACH AND INPUT FROM SMALL BUSINESSES TO TRADE PROMOTION AUTHORITY.

Section 203 of Public Law 94–305 (15 U.S.C. 634c) is amended—

(1) in the matter preceding paragraph (1), by striking “The Office of Advocacy” and inserting the following:

“(a) IN GENERAL.—The Office of Advocacy”; and (2) by adding at the end the following:

“(b) OUTREACH AND INPUT FROM SMALL BUSINESSES ON TRADE PROMOTION AUTHORITY.—

“(1) DEFINITIONS.—In this subsection—

“(A) the term ‘agency’ has the meaning given the term in section 551 of title 5, United States Code;

“(B) the term ‘Chief Counsel for Advocacy’ means the Chief Counsel for Advocacy of the Small Business Administration;

“(C) the term ‘covered trade agreement’ means a trade agreement being negotiated pursuant to section 103(b) of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (Public Law 114–26; 19 U.S.C. 4202(b)); and

“(D) the term ‘Working Group’ means the Interagency Working Group convened under paragraph (2)(A).

“(2) WORKING GROUP.—

“(A) IN GENERAL.—Not later than 30 days after the date on which the President submits the notification required under section 105(a) of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (Public Law 114–26; 19 U.S.C. 4204(a)), the Chief Counsel for Advocacy shall convene an Interagency Working Group, which shall consist of an employee from each of the following agencies, as selected by the head of the agency or an official delegated by the head of the agency:

“(i) The Office of the United States Trade Representative.

“(ii) The Department of Commerce.

“(iii) The Department of Agriculture.

“(iv) Any other agency that the Chief Counsel for Advocacy, in consultation with the United States Trade Representative, determines to be relevant with respect to the subject of the covered trade agreement.

“(B) VIEWS OF SMALL BUSINESSES.—Not later than 30 days after the date on which the Chief Counsel for Advocacy convenes the Working Group under subparagraph (A), the Chief Counsel for Advocacy shall identify a diverse group of small businesses, representatives of small businesses, or a combination

thereof, to provide to the Working Group the views of small businesses in the manufacturing, services, and agriculture industries on the potential economic effects of the covered trade agreement.

“(3) REPORT.—

“(A) IN GENERAL.—Not later than 180 days after the date on which the Chief Counsel for Advocacy convenes the Working Group under paragraph (2)(A), the Chief Counsel for Advocacy shall submit to the Committee on Small Business and Entrepreneurship and the Committee on Finance of the Senate and the Committee on Small Business and the Committee on Ways and Means of the House of Representatives a report on the economic impacts of the covered trade agreement on small businesses, which shall—

“(i) identify the most important priorities, opportunities, and challenges to various industries from the covered trade agreement;

“(ii) assess the impact for new small businesses to start exporting, or increase their exports, to markets in countries that are parties to the covered trade agreement;

“(iii) analyze the competitive position of industries likely to be significantly affected by the covered trade agreement;

“(iv) identify—

“(I) any State-owned enterprises in each country participating in negotiations for the covered trade agreement that could pose a threat to small businesses; and

“(II) any steps to take to create a level playing field for those small businesses;

“(v) identify any rule of an agency that should be modified to become compliant with the covered trade agreement; and

“(vi) include an overview of the methodology used to develop the report, including the number of small business participants by industry, how those small businesses were selected, and any other factors that the Chief Counsel for Advocacy may determine appropriate.

“(B) DELAYED SUBMISSION.—To ensure that negotiations for the covered trade agreement are not disrupted, the President may require that the Chief Counsel for Advocacy delay submission of the report under subparagraph (A) until after the negotiations for the covered trade agreement are concluded, provided that the delay allows the Chief Counsel for Advocacy to submit the report to Congress not later than 45 days before the Senate or the House of Representatives acts to approve or disapprove the covered trade agreement.

“(C) AVOIDANCE OF DUPLICATION.—The Chief Counsel for Advocacy shall, to the extent practicable, coordinate the submission of the report under this paragraph with the United States International Trade Commission, the United States Trade Representative, other agencies, and trade advisory committees to avoid unnecessary duplication of reporting requirements.”.

Appendix E:

NAFTA Modernization Outreach Meeting Handout and Questionnaire



The Office of Advocacy of the U.S. Small Business Administration was created by Congress in 1976 to be an independent voice for small business within the federal government. Advocacy is led by the Chief Counsel for Advocacy who is appointed by the President and confirmed by the U.S. Senate. The Chief Counsel advances the views, concerns, and interests of small business before the White House, Congress, federal agencies, federal courts, and state policymakers. Advocacy relies on economic research, policy analyses, and small business outreach to identify issues of small business concern. Ten regional advocates around the country, one rural advocate and an office in Washington, D.C. support the Chief Counsel's efforts.

In early 2016, Congress passed the Trade Facilitation and Trade Enforcement Act (TFTEA), establishing a new role for Advocacy: to facilitate greater consideration of small business issues during international trade negotiations. Under TFTEA, whenever the President notifies Congress that the Administration intends to enter into trade negotiations, the Chief Counsel must convene an Interagency Working Group (IWG) to conduct small business outreach and write a report to Congress identifying the most important priorities, opportunities, and challenges for the affected small businesses. This report must also include information on state-owned enterprises, recommendations to create a level playing field for U.S. small businesses, and information on federal regulations that should be modified in compliance with the negotiated trade agreement.

The President notified Congress of its intent to renegotiate the North American Free Trade Agreement (NAFTA) in May 2017. The Chief Counsel convened the IWG, and in September 2017, it held its first outreach meeting in Washington, D.C. As allowed under TFTEA, the President has delayed submission of the report to Congress, so Advocacy and IWG are now holding additional outreach meetings throughout the country.

Small Business Stakeholder Comments Submitted to USTR

The U.S. Trade Representative (USTR) requested public comments on the President's objectives for renegotiating NAFTA. It received 45 comments that specifically mention small business. Commenters expressed opinions on the following issues.

- **Customs, Trade Facilitation, and Rules of Origin:** Current customs forms, procedures, and fee structures can be too complex, leading to delays, unexpected costs, and general uncertainty.
- **De Minimis Threshold:** "*De minimis*" refers to a price or value below which imported goods may enter a country without taxes or paperwork. Currently, Canada and Mexico have much lower *de minimis* levels than the United States. In the United States, the *de minimis* threshold is set at \$800 USD, while Mexico's *de minimis* threshold is \$50 USD and Canada's threshold is \$20 CAN. Some advocate for an increase in *de minimis* levels across NAFTA countries, and others advocating for simple harmonization across the NAFTA zone.
- **NAFTA Professional TN (Treaty NAFTA) visa program:** Mexican and Canadian citizens can work in the United States "in prearranged business activities for U.S. or foreign employers" under this visa. Commenters favored this visa, and one suggested a similar program for low-skilled workers.
- **Regulatory Cooperation and Reciprocity:** There are challenges and costs associated with complying with different classification systems and audit requirements in each NAFTA country.
- **Small Business Chapter:** A modernized NAFTA should include a chapter on small business concerns or include other mechanisms to engage small businesses such as website or other digital resource or a committee of small businesses.
- **Digital Trade in Goods and Services:** Policies should encourage and facilitate cross-border data flow and avoid forced data localization measures, such as requirements that data be processed and stored within a country's borders, or requirements of supplying source code to enter a market.
- **Intellectual Property:** Fair trade requires strong intellectual property rights, including patent, copyright, and trademark protections across borders.
- **Government Procurement:** U.S. small businesses must be able to continue competing for government contracts with NAFTA partners and to fulfill U.S. government contracts with goods produced in NAFTA partners.

NAFTA Renegotiation Outreach Meeting Questions

- 1) Tell us about your company.
 - a. What is your product and who generally are your customers and suppliers?
 - b. What is the size of your business? How many employees do you have?
 - c. What is your current trade strategy and status? (importer/exporter/neither)
 - d. How has international trade affected competition in your industry?

- 2) How is NAFTA working for you? What are the primary obstacles you face to start exporting, or expand your exports/services to Canada and/or Mexico?
 - a. In your experience do NAFTA classification/rules of origin work well, or have you found them problematic? How can they be improved?
 - b. Are current NAFTA customs procedures working well for your business? What challenges have you faced in this area? Are there specific changes that would make customs processes more efficient?
 - c. Does your business make use of NAFTA's *de minimis* treatment provisions?
 - d. Has your business relied on NAFTA visa programs? If so, what is working well? Which changes would be helpful?
 - e. Have you encountered intellectual property (IP) issues with NAFTA partners? What IP protections would you like to see in a modernized NAFTA?
 - f. Have you had any experience with the standards rules under NAFTA and have you found them to be effective?
 - g. Have inconsistent regulations across borders made it more difficult for you to trade with Canada or Mexico?

- 3) What do you see as the most important priorities and opportunities for your small business in trading with Canada and/or Mexico? What changes would you recommend to NAFTA to effectuate these goals?

- 4) Please identify any Canadian or Mexican state-owned enterprises (SOEs) that you have difficulty competing with.

- 5) Please list any existing U.S. federal regulations, policies or procedures that you think should be changed to improve small business exports.

- 6) How would a modernized NAFTA help increase U.S. jobs for your business?

U.S. SMALL BUSINESS ADMINISTRATION

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