



UNITED STATES COUNCIL FOR
INTERNATIONAL BUSINESS

Keidanren
Policy & Action

February 21, 2018

The Honorable Brian Sandoval
Chair, National Governors Association
Hall of States
444 North Capitol Street
Suite 267
Washington, DC 20001

Dear Governor Sandoval,

The United States Council for International Business (USCIB) and Keidanren (Japan Business Federation) write to bring your attention to the critical benefits brought to states throughout the U.S. as a result of the North American Free Trade Agreement (NAFTA). USCIB and Keidanren strongly support NAFTA as well as the ongoing negotiations to modernize the agreement. An updated NAFTA would ensure continued and growing investments by the international business community throughout the U.S., bringing with them high-paid American jobs. NAFTA has helped make the U.S. an attractive destination for foreign investment, with virtually seamless trade and closer integration between companies in the three countries as well as the broader international community.

As broad-based business organizations representing top companies in both our respective countries, USCIB and Keidanren share a firm belief in the critical importance of foreign direct investment to drive growth, jobs and prosperity. We promote this view to government leaders and in international forums such as the G20, OECD and the United Nations. The dynamic growth of Japanese FDI under NAFTA is a good example of why it is important to modernize the agreement without undercutting its essential elements.

Since the implementation of NAFTA, foreign direct investment in the United States for new investments has increased from below \$50 billion per year in 1994 to more than \$350 billion per year in 2016. As of 2015, Japanese companies had invested a cumulative \$421 billion in the U.S., supporting more than 856,000 jobs in communities throughout the U.S. with average salaries of more than \$80,000. Adopting a modernized NAFTA is critical to ensuring the continued proliferation of partnerships between states and the international business community.

The global economy has changed dramatically since NAFTA's entry into force 24 years ago, particularly with respect to digital trade, customs and trade facilitation, and intellectual property rights. As a result, we fully recognize the need to update NAFTA to better fit a rapidly changing world. USCIB and Keidanren, however, would like to emphasize the need to "do no harm" during the renegotiation. NAFTA should continue to facilitate smoother and broader market access, making states throughout the U.S. even more attractive for investment. Withdrawing

from the agreement would hinder states' abilities to attract continued international investments and would cause significant disruption in the business community and the value and production chains on which they rely.

Specifically, USCIB and Keidanren believe that the rules of origin should be maintained to support effective cross-border supply chains that have made items produced in the NAFTA countries globally competitive across business sectors. The regional content threshold should not be modified to a level that is economically unsustainable. We also support the current investor-state dispute settlement mechanism (ISDS) and dispute settlement procedures that are indispensable for businesses to sustain and expand investments. A strong enforcement provision will help ensure that opportunities created by new and revised substantive provisions of the modernized agreement will be adhered to.

International businesses frequently look to begin investing in the U.S. through the government procurement process, which in turn leads to long-term partnerships between companies and the states in which they invest. By securing provisions in NAFTA that ensure fair government procurement opportunities for businesses, regardless of national origin, states and taxpayers will benefit from high-quality, cost-effective, and state-of-the-art products and services. It is important to ensure this critical channel for foreign investment remains open, particularly in light of the need for state, local and private resources in the Trump Administration's recently announced infrastructure proposal.

Finally, a modernized NAFTA must provide the certainty and predictability necessary for businesses around the world to make informed decisions about investing and creating jobs in the U.S. As a result, including a five-year sunset provision in the final agreement could undermine the promised benefits to states of an updated NAFTA.

As the international business community looks to the United States as a home for increased investments and job creation, we hope that you will encourage President Trump to maintain the agreement's framework. We appreciate your continued vision in attracting international business investments and hope you will work to ensure that local communities throughout the U.S., where our members' investments are most directly felt, continue to enjoy the benefits of NAFTA.



Peter M. Robinson
President and CEO
USCIB



Masakazu Kubota
President and Director General
KEIDANREN