



The North American Chemical Industry & NAFTA March 1, 2017

Over the past two decades, the North American Free Trade Agreement (NAFTA) has provided enormous benefit for the chemical sectors in Canada, Mexico and the United States. NAFTA has facilitated expanded economic growth, job creation, and enhanced North American competitiveness in the global marketplace. Since NAFTA entered into force, trade in chemicals between NAFTA countries has more than tripled, from \$20 billion in 1994 to \$63 billion in 2014.

NAFTA's success lies in the economic partnerships and supply chain synergies and efficiencies that have been created through reduced barriers to trade. The interconnectivity between the three NAFTA economies has not only lowered the cost of chemical production, it has also strengthened the sector's relevance in the region's overall manufacturing economy. More than 95% of manufactured goods — from textiles, to electronics, to automobiles — are touched by chemistry. As a result, the chemical industry has a multiplier effect on job creation and economic growth in the region. The chemical industry's oversized share of economic activity in North America is a direct outcome of NAFTA's effectiveness in reducing barriers to trade. This includes trade in energy products, particularly natural gas – a critical building block for chemical production. More than 10% of NAFTA trade is in energy products, and there are more than 100 cross-border energy infrastructure projects in place between the three economies.

Although NAFTA has delivered important gains for the chemical sector in North America, it could have an even larger impact if it reflected progress in regulatory, customs, transportation, and communication practices and procedures. NAFTA was negotiated before the age of the Internet. A modernized NAFTA should facilitate digital trade, especially by establishing strong protections for cross border data flows, which is an essential element of global value chains. An updated NAFTA should also set key standards, such as on the competitive practices of State Owned Enterprises (SOEs). It should also close inefficiencies on trade disciplines that are already codified in the agreement, including rules of origin and duty drawback. Most importantly, all chemical products are traded duty free under NAFTA, and a modernized NAFTA should maintain this policy.

In addition to streamlining burdensome customs procedures and upgrading infrastructure and transportation logistics, the North American chemical industry, represented by the Chemistry Industry Association of Canada (CIAC), the Mexican Chemical Industry National Association (ANIQ), and the American Chemistry Council (ACC), will advocate for a modernized NAFTA to include enhanced regulatory cooperation commitments from all three jurisdictions. A more efficient and effective North American regulatory environment would provide a significant boost to innovation, growth and jobs, while ensuring that regulatory objectives are achieved to increase the overall health and safety for end use of products. This might include areas already

considered under the U.S.-Canada Regulatory Cooperation Council, including greater alignment of classification and labeling procedures and a streamlined approach to regulatory approvals for new chemicals.

A modernized NAFTA has the opportunity to set a global precedent as a model for a risk- and science-based approach to chemical regulation. At a time when the use of hazard-based approaches is rising elsewhere, the North American region has an opportunity to play a leadership role in demonstrating the value and practicality of chemical regulatory approaches that ensure the protection of human health and the environment without imposing unnecessary costs or erecting unnecessary barriers to trade.

CIAC, ANIQ and ACC welcome opportunities to work with our respective governments to reexamine and strengthen NAFTA, with a focus on delivering enhanced benefits for the region's businesses, workers and consumers. We are united in our support of a comprehensive review and modernization of NAFTA that energizes economic growth and job creation in the North American region, and are ready to help drive it.
