



June 12, 2017

Mr. Edward Gresser
Chair of the Trade Policy Staff Committee, Office of the U.S. Trade Representative
Winder Building
600 17th Street, NW
Washington, D.C. 20006

RE: FR Doc. 2017-10603 – USTR-2017-0006 – Request for Comments on Negotiating Objectives of North American Free Trade Agreement with Canada and Mexico

Outdoor Industry Association (OIA) welcomes the opportunity to submit comments on the administration's objectives for the re-negotiation of the North American Free Trade Agreement (NAFTA) between the United States, Canada and Mexico.

OIA is the national trade association for more than 1200 suppliers, manufacturers and retailers in the \$887 billion outdoor recreation industry. The outdoor industry supports 7.6 million American jobs, contributes \$65.3 million annually in federal, \$59.2 billion in state and local taxes, and makes other significant contributions towards our goal of healthy communities and healthy economies across the United States.

Representing both importers and domestic manufacturers of outdoor products, OIA pursues a "balanced trade" agenda. This means that OIA supports the elimination of import tariffs on products where there is no viable domestic production. And for our Made in the USA members, we support policies to help them compete and transition to competition in a global economy.

Free trade agreements provide outdoor businesses that utilize global value chains a critical opportunity to: (1) gain access to foreign markets; and (2) address the outdated, disproportionately high U.S. tariffs on outdoor apparel, footwear and equipment not made in the USA.

With regard to the first point, NAFTA enhances the ability of domestic manufacturers to take advantage of new export markets and new consumers by breaking down foreign trade barriers. Equally important, modernized trade agreements present an opportunity to strengthen labor rights and protect the environment, core values of the outdoor industry.

As such, the outdoor industry has significant interests in the re-negotiation of NAFTA, a free trade agreement that has provided substantial benefits for outdoor businesses.

First, we urge the administration to preserve reciprocal duty-free market access for outdoor apparel, footwear and equipment as a primary outcome of the negotiations. U.S. tariffs on these outdoor products average 14 percent and can go as high as 40%, Mexican tariffs are generally 20 percent, and Canadian tariffs range from 18 to 20 percent. The elimination of these tariffs under NAFTA has helped outdoor businesses to explore new sourcing options closer to home, lower costs, fuel innovation and create more jobs. They have allowed outdoor companies to maintain the high quality and high performance standards their consumers expect at an economical price.

Likewise, domestic manufacturers have been able to take advantage of new opportunities in two of our largest export markets containing a growing number of outdoor enthusiasts.

Re-establishing import tariffs and trade barriers to importers and domestic manufacturers alike would be a devastating blow to the outdoor industry and significantly curtail new business opportunities and new outdoor products that could promote economic growth and US jobs.

We urge the administration to preserve the gains that have been made and will continue to grow in the future.

NAFTA has a yarn-forward rule of origin for textiles and apparel, with the limited number of exemptions that exist to that basic rule of origin. However, there are instances when the yarn-forward rule of origin is an impediment to U.S. exports given the unavailability of raw materials. As a result we urge USTR to negotiate a substantial transformation rule of origin for man-made fiber backpacks. The current yarn-forward rule of origin has inhibited the ability of some domestic manufacturers to secure duty-free access to the Canadian and Mexican markets. In some cases this has constrained the amount of exports; in others it prevents the ability to sell in these markets. The fabrics required for these backpacks are not available in any of the NAFTA countries and must be sourced from countries like South Korea and Taiwan. As a result, with a yarn-forward rule and tariffs of between 9 and 10 percent, the costs are simply too high for our members to explore new opportunities in our NAFTA partners.

A substantial transformation rule of origin that would allow these domestically produced bags to enter Canada and Mexico duty-free, thus enhancing the benefits of the agreement to Made in the USA outdoor companies. Previous trade agreements have recognized that a substantial transformation rule of origin makes good sense for the travel goods sector. For example, both the Korea-US Free Trade Agreement (KORUS) and the Central American-Dominican Republic-U.S. free trade agreement (CAFTA-DR) contain a tariff shift rule of origin for these products. The more flexible rule for this segment of the market allows some OIA members to expand their export markets.

Finally, labor rights and protecting the environment are core values to the outdoor industry. A lot has changed since NAFTA was first negotiated and implemented. At that time, the labor and environmental provisions were contained in side letters. Subsequent trade agreements simply called on parties to enforce their own labor and environmental laws and not weaken them for any trade benefit.

As evidenced by the so-called "May 10th Agreement" and the provisions in the Trans-Pacific Partnership (TPP), we have seen a growing consensus that these values are instrumental to any trade agreement and should be treated in the same manner as any commercial provision. As a result, any updated NAFTA should also include tough, enforceable provisions on the environment and labor rights. Outdoor recreation companies are at the forefront of developing sustainable supply chains that protect the environment and ensure fair labor practices. With NAFTA, we can build on the gains we have seen in these areas and set a new standard for our trading partners around the world. A new NAFTA must:

- require all parties to adopt and maintain internationally recognized core labor standards and the provisions of multilateral environmental agreements (MEAs), and;
- these provisions should be in the core text of the agreement and subject to the same dispute settlement procedures as other enforceable obligations.

The outdoor recreation economy is a substantial drive of the U.S. economy and supports healthy communities and healthy economies across the United States. Properly negotiated free trade agreements are a tool to support this powerful economic engine. We appreciate your consideration of our views as you proceed with the re-negotiation of NAFTA.

Sincerely,

A handwritten signature in black ink, reading "Richard W. Harper, Jr.", enclosed within a thin black rectangular border.

Richard W. Harper, Jr.
Manager of International Trade
Outdoor Industry Association