

NAFTA AND THE CHEMICAL INDUSTRY: WHAT POLICYMAKERS NEED TO KNOW



Since NAFTA entered into force, trade in chemicals among NAFTA countries has more than tripled, from **\$20 billion in 1994 to \$63 billion in 2014.**

The U.S. runs a trade surplus in chemicals with Canada and Mexico, which are, respectively, the first and second largest national markets for U.S. chemical exports.

NAFTA'S KEY ROLE

The United States cannot consume all of the increased production of chemicals domestically. U.S. chemical manufacturers can capitalize on the shale gas revolution by securing expanded access to key trading partners such as Canada and Mexico. **Over 70 percent of U.S. chemical imports and almost half of U.S. chemical exports are intra-company.** Barriers to trade only result in added costs to the manufacturer and consumer. Modernizing NAFTA to further reduce barriers to trade will stimulate additional chemical industry investment.

U.S. CHEMICALS PRODUCTION IS ABOUT TO SKYROCKET



More than 300 announced chemical industry investment projects worth more than \$185 billion will come online over the next decade.



In 2016, expenditures on chemical plants accounted for half of all capital investment in U.S. manufacturing.



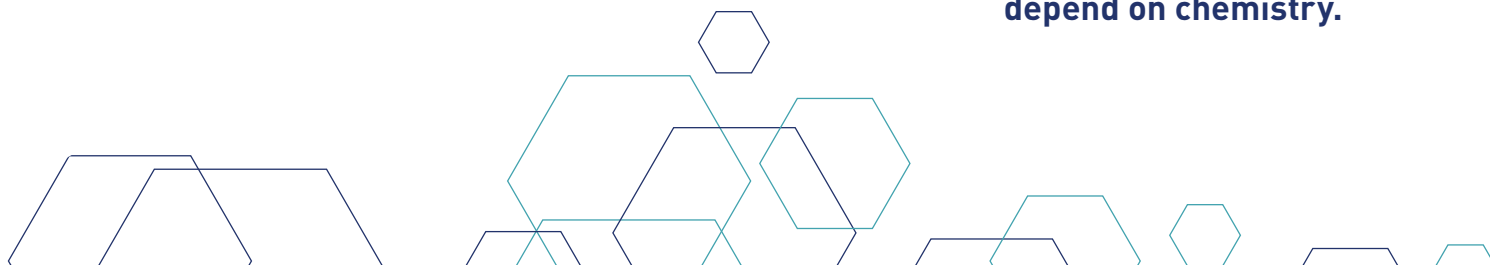
The surge in investment is a direct result of the shale gas revolution, which has made the U.S. one of the most competitive producers of chemicals in the world.



Exports of specific key chemistries directly linked to shale gas will more than double – from \$60 billion in 2014, to \$123 billion by 2030.



Increased production of chemicals in the U.S. will also boost the broader manufacturing sector, since 96% of all manufactured goods depend on chemistry.



WHAT SHOULD A MODERNIZED NAFTA DO?



MAINTAIN DUTY-FREE TRADE FOR ALL QUALIFYING CHEMICAL PRODUCTS

Given the level of intra-company trade, imposing trade barriers in chemicals within NAFTA is like putting a tollbooth in the middle of a factory.



MODERNIZE THE RULES OF ORIGIN

Bring rules of origin into line with rules adopted in more recent U.S. trade agreements, providing a clear, transparent, and flexible menu of options for determining origin.



MODERNIZE BORDER MEASURES AND TRADE CLEARANCE DISCIPLINES

Promote digital trade to reduce paperwork and protect data flows, remove bottlenecks, modernize transport and security requirements, and harmonize clearance procedures.



STRENGTHEN REGULATORY COHERENCE

Strengthen the implementation of Good Regulatory Practices, including promoting increased transparency and stakeholder dialogue on regulations.



PROMOTE GREATER ALIGNMENT ON CHEMICAL REGULATION

Strengthen and align a risk- and science-based approach to chemical regulation throughout North America, which can serve as a model for the rest of the world.

The chemical manufacturing sector is among America's top exporting industries, with \$174 billion in exports in 2016, accounting for 14 percent of all U.S. goods exports. It is also one of America's largest manufacturing industries, a \$768 billion enterprise providing 811,000 skilled, good-paying American jobs – 30 percent of which are export dependent. Future economic growth for the chemical sector depends on establishing a pro-growth, pro-competitiveness agenda that is comprehensive in topic range and addresses barriers in both the domestic and international markets.