

2413 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-0703
(202) 225-3661

59 ELM STREET
SECOND FLOOR
NEW HAVEN, CT 06510
(203) 562-3718

DURHAM/MIDDLEFIELD/MIDDLETOWN
(860) 344-1159

WEBSITE: [HTTP://DELAURO.HOUSE.GOV](http://DELAURO.HOUSE.GOV)



UNITED STATES
HOUSE OF REPRESENTATIVES

ROSA L. DELAURO

3RD DISTRICT, CONNECTICUT

December 19, 2019

CO-CHAIR, DEMOCRATIC STEERING AND
POLICY COMMITTEE

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEES
CHAIR

LABOR, HEALTH AND HUMAN SERVICES,
EDUCATION, AND RELATED AGENCIES

AGRICULTURE, RURAL DEVELOPMENT,
FOOD AND DRUG ADMINISTRATION,
AND RELATED AGENCIES

COMMITTEE ON THE BUDGET

Dear Colleague –

I write to let you know that I have decided to support the re-negotiated North American Free Trade Agreement (USMCA). As you know I led the House Trade working group for the last several years. I took on this responsibility to ensure the United States did not continue to lose manufacturing jobs. I worked to ensure that wages and income in the United States and our trading partners did not get further suppressed. I worked to ensure labor and environmental standards were protected and strengthened. I was determined to make sure that any new trade agreements did not undermine U.S. wages and salaries, accelerate outsourcing, or continue to hurt working people.

Earlier this year, I was honored to be appointed by the Speaker to the House Working Group on NAFTA Renegotiation. The group, chaired by Ways and Means Committee Chairman Richard Neal, was charged with re-negotiating the agreement signed by the President in 2018. The agreement was deeply flawed. It enshrined the status quo that in the past had failed American workers, while also adding extended monopoly protections for brand name pharmaceutical companies that would lock in high medicine prices. I was focused on:

- Crafting effective and meaningful labor standards and protecting worker rights;
- Constructing an enforcement mechanism for the U.S. and Mexico (given their labor law reform);
- Raising, strengthening, protecting, and enforcing environmental standards;
- Protecting access to affordable medicines

I worked closely with my colleague Terri Sewell on enforcement issues as well as with Jimmy Gomez and Mike Thompson on issues related to labor standards. I was pleased that the principles we presented to U.S. Trade Representative Lighthizer on these critical issues are reflected in the final agreement. Those gains include:

- Establishment of a labor specific enforcement mechanism that takes immediate effect and allows for quick, facility-based enforcement and company-wide enforcement of key new labor standards included in the agreement.
- Establishment of an independent review body to ensure that Mexico is implementing its labor reform and is complying with its new NAFTA labor obligations and is meeting the required timelines.
- Allow for imposition of penalties on goods and services that are not produced in compliance with key labor standards. Escalating levels of penalties target non-compliant companies to create direct incentives to meet the new standards and include, for repeat offenders, blocking non-compliant goods at the border.
- Committing robust resources to monitor and enforce the re-negotiated NAFTA, as well as provide capacity building to support Mexico's labor reform.
- Requiring all parties to adopt, maintain, and implement their obligations under Multilateral Environment Agreements (MEA), requiring the U.S. government to assess whether Mexican and Canadian environmental laws and regulations are in compliance with the agreement, and creating

enhanced enforcement and verification measures in this agreement. These are some of the provisions that John Larson and Suzanne Bonamici fought tirelessly to include.

In addition to these important issues, I worked closely with Jan Schakowsky and Earl Blumenauer on provisions related to access to medicines. I was proud to fight tirelessly with them to ensure it did not provide giveaways to pharmaceutical industries. We were successful in that fight and I am proud of the work that was accomplished.

The new NAFTA also largely eliminates NAFTA's Investor State Dispute Settlement (ISDS) regime, which has incentivized job outsourcing and allowed corporations to attack countries environmental and health policies. This important change will eliminate many future ISDS cases against public interest policies and remove one of the original NAFTA's outsourcing incentives.

It is vital, however, to remember that in many important ways this agreement falls short. It lacks the robust climate standards that Democrats know our planet needs, the labor and environmental terms could be even stronger, and the agreement should exclude limits on consumer protections for food and product safety.

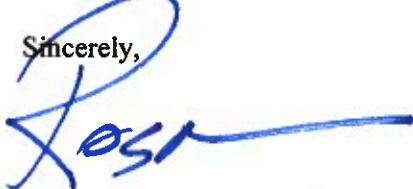
It is important to understand that regardless of the President's rhetoric, this agreement will not bring back U.S. manufacturing jobs.

Over time, the labor standards and enhanced enforcement terms we forced into the new NAFTA may help raise wages in Mexico, and this may also reduce U.S. corporations' incentives to outsource more U.S. jobs to Mexico to pay workers less. However, even if the new NAFTA reduces incentives for corporations to outsource jobs to Mexico, it cannot counteract the outsourcing incentives in President Trump's Tax bill. If a firm operating in the United States shuts production down and relocates production to Mexico, the firms federal tax rate is cut in half (a firm in the United States would pay a 21 percent corporate tax rate while offshore income is taxed at a 10.5 percent rate.)

USMCA is not a model moving forward, but it establishes important principles we can build from.

I do not believe the popular national view that wage stagnation in America today including trade agreements, is the inevitable result of globalization and technology. Special interests have shaped government policies that have held down wages and increased inequality. As Nobel winning economist Joe Stiglitz has written, "Inequality is not inevitable. It is a choice we make." Major progress has been made on this agreement. I pledge to continue working with my colleagues to deal with the important issues relating to globalization and trade policy that we are facing today.

Sincerely,



Rosa L. DeLauro