

The Honorable Robert Lighthizer
Ambassador
United States Trade Representative
600 17th Street, NW
Washington, DC 20006

The Honorable Chrystia Freeland, P.C., M.P.
Minister of Foreign Affairs
House of Commons
Ottawa, ON K1A 0A6

November 21, 2017

Dear Ambassador Lighthizer and Minister Freeland:

As Governors of U.S. States, we are keenly interested in protecting and enhancing the vibrant trading relationship between the United States and Canada.

During his recent address to the National Governors Association, Prime Minister Trudeau pointed out that 37 U.S. States count Canada as their top export destination. Similarly, Statistics Canada reports that U.S. states are the top export destination for all 10 of Canada's provinces and represent more than 75% of Canadian exports.

It is in the spirit of this strong economic interdependence that we write urging you to use the upcoming renegotiation of the North America Free Trade Agreement (NAFTA) as an opportunity to modernize and increase the long-standing C\$20 (US\$15) *de minimis* level for low value goods entering Canada.

In global trade, *de minimis* levels are important, because they permit small international transactions to take place without the lengthy delays, high costs, and red tape associated with larger scale commercial importing. When a *de minimis* level is too low, the combined effects of the tariffs and the administrative collection process inflate the total cost of otherwise inexpensive goods. Low *de minimis* levels are particularly burdensome for consumers, small businesses, and manufacturers who rely on sourcing small components from a variety of suppliers.

As you know, the United States recently raised its *de minimis* threshold on imported goods to \$800, while Canada's C\$20 (US\$15) threshold remains among the lowest in the industrialized world. As the global economy continues to see increased online sales that result in direct shipments to purchasers, Canada's low threshold for the collection of duty and tax creates unnecessary price increases for Canadian consumers and hinders North American manufacturers' supply chains on both sides of our shared border.

A modernization of the Canadian *de minimis* level would be beneficial to both countries. By reducing the cost of goods that Canadian manufacturers obtain from U.S. suppliers, they can obtain timely and cost effective delivery of necessary business inputs. A modernization of the *de minimis* level would give Canadian consumers much needed relief from prices that have been inflated by 30 year old tariffs on goods that may not be available domestically. The policy change would also benefit U.S. suppliers and small businesses who are anxious to provide their Canadian customers with products that are affordable and readily available.

We are proud of the strong trading relationship between our states and Canada, and believe that the modernization of NAFTA will only further enhance this relationship. Raising the Canadian *de minimis* threshold will strengthen the North American supply chain. It will benefit businesses and consumers in both Canada and the United States so that commerce between our two countries can continue to prosper.

Sincerely,



Gary Herbert, Governor of Utah



Daniel P. Malloy, Governor of Connecticut



Kate Brown, Governor of Oregon



Paul LePage, Governor of Maine



Larry Hogan, Governor of Maryland



Steve Bullock, Governor of Montana



Charlie Baker, Governor of Massachusetts



Terry McAuliffe, Governor of Virginia