

CUTTING **RED TAPE** & LEVELING THE PLAYING FIELD FOR AMERICAN BUSINESSES AND CONSUMERS

HOW RAISING DE MINIMIS LEVELS AND EASING THE FLOW OF LOW-VALUE SHIPMENTS **IN NAFTA RENEGOTIATIONS** WILL HELP THE UNITED STATES GROW JOBS, PROMOTE GROWTH, AND INCREASE EXPORTS

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HOW CUTTING CUSTOMS RED TAPE THROUGH NAFTA WILL HELP THE UNITED STATES GROW JOBS, PROMOTE GROWTH, AND INCREASE EXPORTS

WHAT YOU NEED TO KNOW:



- E-commerce is transforming the way US companies trade, making it easier than ever before for businesses of all sizes to market products and reach the 95% of consumers beyond America's borders.
- Increased exports lead to more and better paying jobs, increasing economic growth and reducing the trade deficit.
- Small businesses are some of the biggest beneficiaries of this transformation. In the past, it was impractical for these companies to market their products and make sales in other countries. Now, small businesses can readily set up a website, accept orders from around the globe, and get their products delivered to customers almost anywhere in the world in a matter of days.
- U.S. exporters in particular are well positioned to capitalize on this opportunity, given U.S. innovation leadership in the digital economy.
- The potential of global e-commerce is diminished, however, by the red tape that American exporters face at other countries' borders.
- Simplifying import requirements and expediting customs clearance for e-commerce and low-value manufactured goods is critical in order for the United States to fully benefit from what the digital economy has to offer.

WHAT'S HOLDING U.S. E-COMMERCE EXPORTS BACK:

- Antiquated, burdensome, complex, and costly customs procedures make it difficult for U.S. businesses to compete by slowing delivery times and raising transaction costs.
- Countries around the world have taken steps to address this problem by raising "de minimis" thresholds and providing more streamlined informal clearance procedures for low value shipments.
- Taking these actions often provides net cost-savings for governments, as they pay less in administrative costs. They also significantly benefit consumers, by enabling them to get a wider range of products, faster, and at lower cost.
- Mexico and Canada, though, have not kept up with this practice. Low and outdated de minimis and informal clearance levels are hindering the flow of low-value shipments coming from U.S. exporters to consumers in Mexico and Canada.
- At the same time, Mexican and Canadian exporters benefit from state of the art customs procedures and a de minimis threshold of \$800 in the United States.



HOW NAFTA MODERNIZATION CAN HELP:



- Congress made clear in 2015 that USTR must work with other countries to address customs red tape - including encouraging our trading partners to raise their de minimis levels.
- NAFTA modernization presents an opportunity to carry out this Congressional intent, supporting small business exporters in states and Congressional districts across the country.
- By simplifying, modernizing, and expediting customs procedures, including by raising de minimis levels and improving informal clearance systems, NAFTA modernization will cut red tape for American exporters and reduce the transaction costs their customers incur, thereby increasing U.S. exports, growing jobs in the U.S., and lowering the U.S. trade deficit.

WHAT'S AT STAKE:

- Although small businesses represent 99 percent of employers and create two out of every three jobs, only one percent of them export their goods and services to foreign markets.
- E-commerce, which today represents \$2.2 trillion (approximately 12 percent) of the global goods trade, has the potential to significantly increase the number of U.S. small businesses that export.
- However, we must update customs procedures around the world to enable that growth, and NAFTA modernization opens the door for U.S. policy makers to foster this untapped potential for small business growth.



MANUFACTURERS, E-COMMERCE AND RETAIL



“USTR should urge the inclusion of provisions on e-commerce, including requiring NAFTA parties to expand the duty free exemption for de minimis shipments to promote e-commerce shipments.”

- [Paul Ryan, Vice President, Association of Global Automakers](#)



“Among the key changes that would improve the current agreement for manufacturers are provisions to set a meaningful de minimis threshold for low-value shipments and align duty drawback provisions with modern trade agreements to promote greater exports incentivize domestic production and cut costs for small business manufacturers.”

- [Linda Dempsey, Vice President, National Association of Manufacturers](#)



“Fully 44% of Etsy sellers in the US are international exporters in their own right, and 55% of sellers who focus on their creative business as their sole occupation ship their wares internationally. In doing so, these creative entrepreneurs are stimulating global economic impact. With adjustments to de minimis customs exemptions and a commitment to modernizing trade systems and tools, we believe more US Etsy sellers could gain from a new NAFTA.”

- [Althea Erickson, Senior Director, Etsy](#)



Simplifying customs requirements is especially beneficial for small and medium-sized U.S. companies looking to export to customers around the globe. The de minimis rule is key to this. These rules allow low-value goods to enter into a country duty free under a simplified entry process. The U.S. recently increased the de minimis value to \$800. Canada and Mexico currently have extremely low de minimis value thresholds (\$20 in Canada and \$50 in Mexico). The NAFTA modernization negotiations should include an increase in Canada’s and Mexico’s de minimis value.

- [Matthew Shay, President and CEO, National Retail Federation](#)



“The U.S. recently increased its de minimis level – a simplified entry process that enables low value goods to enter the U.S. duty free – from \$200 to \$800. Our NAFTA partners still maintain absurdly low levels (Mexico’s level is \$50 and Canada’s level is \$20) that should be increased to match the U.S. level.”

- [Steve Lamar, Executive Vice President, American Apparel & Footwear Association](#)



“PCPC strongly supports improved commitments for more efficient and consistent customs procedures within NAFTA partner country, including An increase in the de minimis threshold to exempt payment of import tariffs (for both Mexico and Canada) - this would make it easier for Canadian and Mexican consumers to import U.S. products tariff-free, as well as facilitate exports for U.S. small and mediumsize enterprises. The United States currently maintains an \$800 de minimis threshold, while Mexico maintains a \$50-threshold for express carriers and a \$300-threshold for Mexico Post, while Canada maintains a de minimis threshold of \$20 CAD, the lowest of the industrialized world.”

- [Francine Lamoriello, Executive Vice President, Personal Care Products Council](#)

CUTTING CUSTOMS RED TAPE THROUGH NAFTA RENEGOTIATIONS

SUPPORT FROM ORGANIZATIONS AND COMPANIES REPRESENTING MILLIONS OF JOBS

SERVICES & TECHNOLOGY



"A modernized NAFTA should...ensure that ambitious, high-standard customs policies are harmonized across Canada and Mexico to promote U.S. e-commerce exports and SME exporting opportunities. This includes substantial increases to Canada and Mexico's customs de minimis threshold for express and postal shipments under which shipments are exempt from customs duties, taxes, and certain entry documentation requirements, as appropriate."

- [Christine Bliss, President, Coalition of Services Industries](#)



Worldwide Service

"In March 2016, the U.S. succeeded in raising its de minimis threshold from \$200 to \$800, and the Administration should hold our neighbors to reciprocal treatment. Additionally, by law, Mexico's postal service adheres to a different, higher de minimis level than the private sector, which results in unfair treatment for American shippers and carriers: postal de minimis is \$300 while packages carried by EDS companies must adhere to a \$50 de minimis."

- [Amgad Shehata, Senior Vice President, UPS](#)



"We ask that the U.S government make it a priority that both Canada and Mexico adjust their de minimis levels and related clearance procedures under NAFTA to match the treatment afforded to low-value shipments in the U.S., thus leveling the playing field for U.S. exporters."

- [Michael Mullen, Executive Director, Express Association of America](#)



"De minimis has become particularly important with the rapid growth of e-commerce. Consumers around the world can now log-on to their computers to comparison-shop for goods and services from suppliers far beyond their borders, creating new markets for sellers, and greater choice as well as improved standards of living for buyers... Canada has the lowest de minimis level among the industrialized countries of the world, and Mexico's is also among the lowest. These protectionist policies are designed to insulate traditional brick-and-mortar retailers in those countries from the competition U.S. e-tailers are prepared to offer. The NAFTA review provides a prime opportunity to rectify this barrier to U.S. exporters... The combination of higher de minimis values plus simplified procedures for low value shipments up to \$2,500 would help provide a more level playing field for U.S. e-commerce exporters."

- [Ralph Carter, Managing Director & David Short, Senior Counsel, Federal Express Corporation](#)

“A reasonable de minimis threshold is important so as to minimize the cost and complexity of trade. For the many U.S. SMEs involved in e-commerce, the frictions associated with trade logistics are a major barrier to trade...the United States should use a revised NAFTA to get Canada and Mexico to raise their de minimis threshold to a level that is commercially significant and to a level that is closer to that of the United States”

- [Nigel Cory, The Information Technology and Innovation Fund](#)



“Burdensome, complex, costly and time-consuming customs procedures make it difficult to ship products across borders in a cost effective way. These barriers are so significant that they can prevent small businesses from exporting all together...Establishing commercially meaningful de minimis thresholds are key to enabling an environment conducive to e-commerce because they simplify import requirements, reduce and make transparent import costs, and expedite customs clearance for e-commerce shipments.... NAFTA should be updated to include commitments that harmonize de minimis levels.”

- [Ari Giovenco, Senior Director, Internet Association](#)

CUTTING CUSTOMS RED TAPE THROUGH NAFTA RENEGOTIATIONS

SUPPORT FROM ORGANIZATIONS AND COMPANIES REPRESENTING MILLIONS OF JOBS

BUSINESS COMMUNITY



“The agreement should establish a commercially-meaningful de minimis threshold in Canada and Mexico. Low de minimis thresholds in both countries disproportionately affect businesses who engage in sales via the Internet and regularly ship lowvalue items or items in small quantities. U.S. businesses of all sizes would benefit from these trade-facilitating changes to customs rules and procedures. Such revisions would also unlock the exporting potential of small and medium-sized businesses (SMEs) in particular, who often find complex customs procedures and costs to be among the most serious obstacles to trade.”

- [Rufus Yerxa, President, National Foreign Trade Council](#)



More Than Leaders. Leadership.

“We believe that these negotiations should modernize and strengthen NAFTA by including provisions that Encourage modern and streamlined customs rules and processes to facilitate trade, such as electronic forms, signatures and authentication; secure online payments; and an increase in the de minimis levels in Canada and Mexico.”

- [Tom Linebarger, CEO Cummind, Chairman of International Engagement Comm, BRT](#)



U.S. Chamber of Commerce
Standing Up for American Enterprise

“Simplifying customs requirements is especially beneficial for small and medium-sized U.S. companies looking to export. Particularly important for such firms are de minimis rules, which allow low-value goods to enter into a country duty free under a simplified entry process. Following the U.S. example, Canada and Mexico should commit to increase their de minimis value applicable to imports. The de minimis levels in Canada and Mexico are stuck at unreasonably low levels (\$20 in Canada and \$50 in Mexico), while the U.S. level is set at \$800, a commercially meaningful level. Increasing Canada’s and Mexico’s de minimis value would simplify entry requirements and reduce transaction costs for American small and medium-sized businesses, making them more competitive in the Canadian and Mexican markets.”

- [John Murphy, Senior Vice President, U.S. Chamber of Commerce](#)



“Relevant to making the NAFTA relationship work better, de minimis levels should be harmonized at the U.S. level.”

- [Eric Farnsworth, Vice President, Council of the Americas](#)



UNITED STATES COUNCIL FOR
INTERNATIONAL BUSINESS

“A modernization of NAFTA also provides the opportunity for both Mexico and Canada to increase their domestic de minimis threshold under which imported products would be exempt from payment of imports and taxes and subject to streamlined customs procedures. An increase in the respective de minimis thresholds in Mexico and Canada would create significant opportunities for American small and medium businesses to export to these countries, and would eliminate protectionist policies that artificially support Canadian and Mexican retailers at the expense of domestic consumers.”

- [United States Council for International Business, June 14, 2017](#)



GEORGE W. BUSH
INSTITUTE

“A win for smaller exporters and individual consumers, we encourage Mexico and Canada to match the US de minimis value of \$800.”

- [Five Steps to Improve NAFTA, The George W. Bush Institute](#)



Washington Council on
International Trade

“Washington state is a leader in e-commerce, but retailers – including small businesses – can face difficulties successfully selling into Canada and Mexico due to a low de minimis threshold (customers must pay duties for items valued above \$20 in Canada and above \$50 in Mexico) and lengthy customs procedures. For example, it can take 44 hours to meet border compliance requirements in Mexico, compared to only 2 hours in the U.S. and Canada. Raising the de minimis level and creating express clearance procedures for small shipments would enable small retailers to access the Canadian and Mexican markets.”

- [Lori Otto Punke, Washington Council on International Trade](#)

BIPARTISAN LETTER FROM 28 SENATORS CALLING FOR THE ELIMINATION OF CUSTOMS RED TAPE IN NAFTA RENEGOTIATIONS



July 14, 2017

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

Dear Ambassador Lighthizer:

Ecommerce has been a tremendous boon to American small businesses, especially when it comes to exporting. Online tools have enabled many small businesses to reach new customers and break down traditional barriers to selling overseas, like communicating in a foreign language and conducting market research. Despite these positive trends, however, antiquated and complex trade laws stand in the way of small businesses reaching their full exporting potential. We write today to call your attention to one such barrier - excessively low de minimis thresholds - and urge you to work to cut red tape for American small businesses selling online.

As you know, countries establish de minimis thresholds to facilitate the flow of low-value goods across borders. When small American ecommerce businesses make sales to foreign buyers above the destination country's de minimis threshold, their packages are subject to heightened clearance processes, duties and taxes. As a result, when a foreign trading partner has a low de minimis threshold, American small businesses face additional government red tape at the border. For small businesses with limited time and resources, these burdens can be excessive and discourage them from exporting altogether.

Congress recognized the need to update antiquated de minimis thresholds in the Trade Facilitation and Enforcement Act of 2015 (PL 114-125). Through that law, Congress both raised the U.S. de minimis threshold on imported goods to \$800 USD and urged the United States Trade Representative to "encourage other countries, through bilateral, regional, and multilateral fora, to establish commercially meaningful de minimis values for express and postal shipments that are exempt from customs duties and taxes and from certain entry documentation requirements, as appropriate."

We encourage you to make small businesses a priority in trade negotiations by following through on Congressional intent and seeking de minimis parity with our trading partners. Doing so would cut red tape on American small businesses and enable them to fulfill their exporting potential by leveling the playing field with foreign competition. In particular, increased de minimis thresholds in Canada and Mexico would bring direct benefits to American small businesses who count these countries as top trading partners. Notably, the de minimis threshold for Canada was set more than 30 years ago and ranks as the lowest in the industrialized world. Raising Canada's \$20 CAD de minimis threshold on low-value, low-risk shipments would improve the ability of American small businesses operating online to serve Canadian consumers.

Small businesses are the backbone of our economy, representing 99 percent of employers and creating two out of every three jobs in the United States. Although 95 percent of the world's customers live in foreign countries, only one percent of small- and medium-sized enterprises export their goods and services in foreign markets. Ecommerce, which now represents \$2.2 trillion or approximately 12 percent of the global goods trade, has the potential to fuel small business growth by unleashing this untapped potential. We urge you to keep the interests of small businesses in mind and seek to relieve them of exporting barriers in the form of low de minimis thresholds.

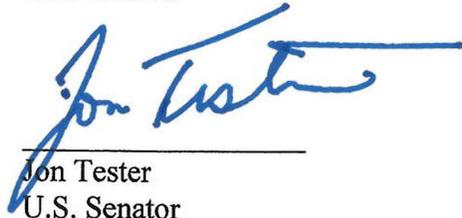
Sincerely,



Jeanne Shaheen
U.S. Senator



Rob Portman
U.S. Senator



Jon Tester
U.S. Senator



Kirsten Gillibrand
U.S. Senator



John Hoeven
U.S. Senator



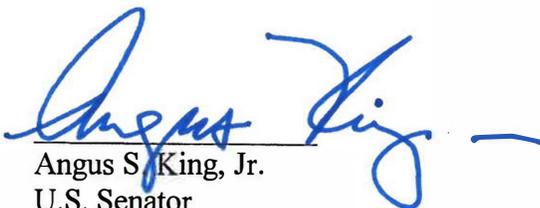
Patty Murray
U.S. Senator



Tammy Duckworth
U.S. Senator



Sherrod Brown
U.S. Senator



Angus S. King, Jr.
U.S. Senator



Maria Cantwell
U.S. Senator



Thomas R. Carper
U.S. Senator



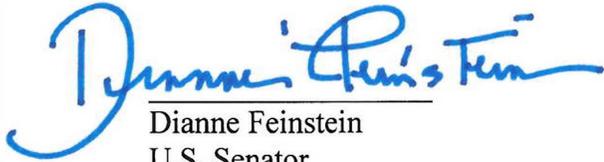
Benjamin L. Cardin
U.S. Senator



Johnny Isakson
U.S. Senator



Edward J. Markey
U.S. Senator



Dianne Feinstein
U.S. Senator



Margaret Wood Hassan
U.S. Senator



Tim Kaine
U.S. Senator



Gary C. Peters
U.S. Senator



Michael F. Bennet
U.S. Senator



Todd Young
U.S. Senator



Jeffrey A. Merkley
U.S. Senator



Richard J. Durbin
U.S. Senator



Shelley Moore Capito
U.S. Senator



John Thune
U.S. Senator



Debbie Stabenow
U.S. Senator



Steve Daines
U.S. Senator



Amy Klobuchar
U.S. Senator



James M. Inhofe
U.S. Senator

CC: The Honorable Wilbur Ross
Secretary
U.S. Department of Commerce

The Honorable Linda McMahon
Administrator
U.S. Small Business Administration

BIPARTISAN LETTER FROM 8 GOVERNORS CALLING FOR THE ELIMINATION OF CUSTOMS RED TAPE IN NAFTA RENEGOTIATIONS

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

THE WALL STREET JOURNAL.

COMMENTARY

Tear Down the Littlest Trade Barrier

The U.S. duty-free threshold is \$800. Canada's is only \$20.

<https://www.wsj.com/articles/tear-down-the-littlest-trade-barrier-1512691753>

Christine McDaniel

Dec. 7, 2017

With trade talks regarding the World Trade Organization and North American Free Trade Agreement under way, the Trump administration can help American exporters, especially small businesses, by urging other countries to relax a barrier on small trades.

The de minimis threshold is a valuation ceiling governments set on imported goods. Shipments costing over that amount are subject to duties, taxes and clearance procedures. The U.S. has one of the highest thresholds in the world, at \$800, which is beneficial to American consumers and other countries that want to export goods to the U.S.

But the duty-free thresholds vary widely. China's is as low as \$8, Canada's around \$20, and Mexico's \$300. A U.S. business selling a new gadget for \$50 would need to pay a duty on an order from Canada or China, and the company faces entirely different taxes, regulations and trade policies in each country. To make matters more complicated, some regions, such as the European Union, have different thresholds for a duty and a value-added tax.

Higher de minimis thresholds in other countries would ease the burden and expand export markets for hundreds of thousands of U.S. businesses. Commerce Department data show that 304,223 American companies export, among which 297,343, or 97.7%, are classified as small or medium-size. The tax and regulatory burden tends to fall more heavily on smaller businesses because they lack the resources for compliance.

Today, online platforms and innovative financial technology enable more companies than ever to conduct secure business transactions with foreign markets. One study found that 95% of sellers on eBay export, compared with less than 5% of all U.S. businesses.

Wider access to international markets enables small companies to grow and weather the ups and downs of the local marketplace. A wide body of evidence conveys that companies that export, whether large or small, tend to outlast their nonexporting counterparts, have higher revenues and growth, are more productive, and pay their employees higher wages.

President Trump's recent trip to Asia landed deals worth a reported \$250 billion—a welcome move for large businesses like General Motors and Boeing. But barriers still exist for small businesses. The U.S. National Trade Estimate Report identifies barriers to digital trade in 24 of the country's largest export markets. Removing these barriers and encouraging other countries to raise the duty-free threshold are two places for Mr. Trump and his trade team to begin making headway for small businesses in the global marketplace.

Ms. McDaniel, a former senior economist with the White House Council of Economic Advisers and deputy assistant Treasury secretary, is a senior research fellow with the Mercatus Center at George Mason University