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NAFTA Consultations
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Trade Negotiations – North America (TNP)
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SUBJECT: Renegotiation of the North American Free Trade Agreement (NAFTA)

The Heating, Refrigeration and Air Conditioning Institute of Canada (HRAI) is the national non-profit trade association of manufacturers, wholesalers and contractors in the Canadian heating, ventilation, air conditioning and refrigeration (HVACR) industry. HRAI has over 1,400 member companies that provide the products and services for indoor comfort and essential refrigeration processes. Among HRAI's members are more than 80 product manufacturers, the majority of which are based in and serve the full North American marketplace.

HRAI is pleased to have the opportunity to submit comments on the renegotiation and modernization of the existing North American Free Trade Agreement (NAFTA) with the United States and Mexico.

In general, it is the view of HRAI that NAFTA has created a positive support for the economies of the three countries affected. NAFTA is clearly the most critical trade relationship that exists, both for Canadian industry and for US-based HVACR manufacturers that sell into the Canadian marketplace, and therefore HRAI supports government efforts to maintain that relationship and to find ways to modernize and strengthen it.

HRAI supports the view of the Canadian Manufacturers and Exporters (CME) that NAFTA is in most ways "a model for which all trade agreements should be judged. It has helped increase the standard of living of participants. It has strengthened industry by combining the talents and expertise of each market, creating bigger markets at home and strengthening our combined competitiveness globally. No other trade agreement that Canada has can compare to the historical, current and future importance for our economy or our citizens."[1]

This does not mean, however, that the agreement cannot be improved and modernized to reflect new realities that have emerged over the past 25 years.

[1] Submission of Mathew Wilson, Senior Vice President, Canadian Manufacturers & Exporters, to the Standing Committee on International Trade (CIIT), May 9, 2017.

HRAI's primary concern in the re-opening is that regulatory and standards harmonization should remain an objective for all the parties when considering any revisions to the existing agreement. HRAI shares many of its manufacturer members with the US-based Air Conditioning, Heating and Refrigeration Institute (AHRI) and our two associations have a long history of cross-border collaboration on national, state and provincial, and local laws and regulations affecting the HVACR industry, with a view to eliminating trade barriers. Both organizations, along with allied associations such as the Canadian Institute of Plumbing and Heating (CIPH) encourage cooperation among the primary Canadian regulator on energy efficiency, Natural Resources Canada (NRCan), and the U.S. federal regulator, the U.S. Department of Energy (DOE), regarding the harmonization of equipment minimum energy performance standards (MEPS) for regulated HVACR and water heater equipment.

HRAI and allied associations also advocate for the harmonization of the standards used to test and rate HVACR and water heating equipment, which lay the foundation for regulatory complementarity in many other important ways, as noted in AHRI's submission to the Office of the United States Trade Representative dated June 12, 2017.

HRAI also supports the recommendation from AHRI to "revise NAFTA without commercial disruption."

> *NAFTA [should be revised and modernized] to reflect advancements in technology since 1994 and more importantly in a way that does not disrupt the current trade infrastructure of HVACR and Water Heater manufacturers. Since 1994, the U.S. HVACR and water heater manufacturers, adjusting to NAFTA, have built a manufacturing, supply chain, and distribution infrastructure to meet NAFTA's requirements and opportunities. This effort, costing billions of dollars, ensures the steady flow of our members' products among the Parties' consumers. This existing system, reflects the requirements of NAFTA, and is a logical, cost-effective basis for our members' future business planning in North America. The continued growth of the HVACR and Water Heater industry in North America for AHRI members assumes an improved and modernized NAFTA environment, and an environment where needed changes to NAFTA will be feathered into a time frame allowing industry adjustments and no disruption of commerce.*[2]

While HRAI member companies are open to making improvements to NAFTA, they are also concerned about the potential for a renegotiation to worsen economic outcomes through more restrictions, barriers and protectionism on imports and exports of people, goods and services. These sorts of restrictions should be avoided and measures to eliminate uncertainty through reduced red-tape for both people and goods should be prioritized. Industry members are also looking maintain effective dispute settlement processes, improve regulatory cooperation and alignment, and to coordinate action on dumping of goods from other markets.

[2] AHRI letter to the Office of the United States Trade Representative, June 12, 2017.

Given the level of integration of company supply chains within the HVACR industry across the borders of the Parties to NAFTA, the benefits of alignment will include greater product choice, lower costs, more effective competition, and lower enforcement cost for governments, all of which will strengthen the North American HVACR and water heating industry and create benefits to the citizens of all three nations.

HRAI appreciates the opportunity to provide input on this important matter of facilitating fair and open trade under a revitalized and modernized NAFTA.

Yours sincerely,

Warren Heeley
President

cc HRAI Board
Martin Luymes
AHRI