



Docket Number: USTR-2017-0006

Request for Comments on Negotiating Objectives Regarding Modernization of the North American Free Trade Agreement with Canada and Mexico – MetLife Statement

MetLife and Trade

MetLife, Inc. is a leading global provider of insurance, annuities, employee benefits and asset management, serving approximately 100 million customers and more than 90 of the top one hundred FORTUNE 500® companies. MetLife has operations in 44 countries and holds leading market positions in the United States, Latin America, Asia, Europe and the Middle East.

Founded in 1868, MetLife continues to build upon its long history of serving our customers by launching new and innovative products, expanding its role as a leader, and continuing to provide high quality financial solutions that are backed by a trusted, well-recognized brand name and strong financial performance.

International growth is critical to our company's future success. In 2016, MetLife's international business operations accounted for more than 40 percent of our revenue. Our international business growth is also supported by many well-paid experts working for MetLife in the U.S. in fields such as investments, finance, and technology.

MetLife operates in markets around the world because we need to be where our customers are – our products do not cross borders. Our investments in foreign markets allow us to serve customers we otherwise could not through our U.S. operations. By necessity, we incorporate locally and are subject to local regulation and capital requirements. The growth of our business relies on new market opportunities. As a result, MetLife is a strong supporter of efforts to break down barriers to global trade to ensure that U.S. firms can compete on a level playing field.

MetLife Mexico

Mexico is MetLife's 3rd largest market globally, after the United States and Japan. Since MetLife entered the Mexican market in 1992, our business has grown dramatically, thanks in large part to our 2002 acquisition of the formerly state-owned insurer, Aseguradora Hidalgo. We are now the largest life insurer in Mexico and serve nearly 10 million customers, the vast majority of whom work for the government. We protect nearly two-thirds of all public servants in Mexico. Many of our customers are low-income government employees, including some who lack a basic bank account. MetLife provides them financial education and protection at their worksite. For MetLife, the more our business grows in Mexico, the more we are able to use dividends from foreign earnings to fund investments in the United States, which helps the U.S. economy.



MetLife Mexico and NAFTA

NAFTA has provided a strong foundation for MetLife's business model in Mexico. As a result of NAFTA, Mexico substantially liberalized its financial services industry, opening the banking sector to foreign competition, and eliminating its 30% foreign equity limitation on foreign insurers. The Mexican government's privatization of Aseguradora Hidalgo, the state-owned insurance company, was a consequence of commitments made under the agreement, and paved the way for MetLife's acquisition. Furthermore, NAFTA's binding rules on government procurement enable us to sell employee benefit products to the Mexican government and its employees under a fair and transparent process. Similarly, NAFTA provides for strong investor protections supported by a binding investor-state dispute settlement mechanism that protect firms from unfair treatment.

NAFTA Modernization

MetLife supports the effort to modernize NAFTA, with updates and additions, particularly to address instances where financial services have been carved out of provisions in other agreements. From our perspective, it is critical that negotiators take a "first, do no harm" approach to modernization. NAFTA's provisions on government procurement, investor protections, market access and national treatment underpin our operations in Mexico and create a level-playing field based on core trade principles of non-discrimination, transparency, and rule of law. From MetLife's perspective, any modernizing reforms to NAFTA should be achieved while simultaneously preserving and keeping in force the benefits of the agreement important to our company.

In this regard, MetLife is particularly focused on aspects of the NAFTA negotiations that would impact our business in Mexico. We do not do business in Canada.

Government Procurement

As mentioned above, a significant portion of our business in Mexico is driven by contracts with the Mexican Government – MetLife insures nearly two-thirds of all Mexican Government employees. As such, the U.S. Government should seek to preserve NAFTA's existing commitments on government procurement, both in its NAFTA renegotiation and in the review ongoing through EO 13788. MetLife provides Mexican federal employees with life, medical and retirement insurance through employee benefit products. These contracts are awarded through a public procurement process, and NAFTA's rules on government procurement ensure that firms like MetLife can participate in Mexican Government procurements on a fair and transparent basis and provide best-in-class benefit and protection products. In particular, non-discriminatory rules that set out a clear, transparent and objective tendering process create a level-playing field for U.S. firms operating in Mexico [Chapter 10: Government Procurement, Articles 1003: National Treatment and Non-Discrimination and 1008: Tendering Procedures].



Data from the Federal Procurement Data System demonstrate that the benefits from leveling the government procurement playing field are flowing almost entirely to U.S. firms. Just 2% of all U.S. federal government contracts were secured by foreign-headquartered companies in FY 2016. This data makes the strongest possible case that the government procurement chapters in NAFTA and other trade agreements are working well for U.S. companies.

Investment

A modernized NAFTA should preserve and build on existing investor protections and access to investor-state arbitration. These rules provide a legal framework for ensuring that investments are not subject to discriminatory treatment, and in the event of expropriations or nationalizations, that investors are compensated. They are backed by a binding arbitration mechanism that investors can use to gain redress in the event of a breach of these rules [Chapter 11: Investments and Chapter 14: Financial Services, Article 1415 Investment Disputes in Financial Services].

In addition, NAFTA's financial services chapter does not provide access to investor-state dispute settlement for violations of national treatment or most-favored nation treatment. As a result, we are also seeking to ensure that financial institutions receive the same degree of investor protection and ability to enforce those protections under investor-state dispute settlement as provided to all other sectors, including for breaches of national treatment and most-favored nation treatment.

Cross-border Data Flows and Data Localization

The United States should seek to reaffirm existing commitments on cross-border data flows and prohibit data localization requirements for all sectors, including financial service suppliers.

The NAFTA includes provisions requiring parties to allow financial institutions to transfer data across national borders for processing where such processing is required as part of that institution's ordinary business [Chapter 14: Financial Services, Article 1407.2.]. However, parties may also schedule exceptions or limitations to this requirement. In addition, the NAFTA does not provide enforceable protection from forced data localization, a critical barrier for all firms operating in a modern economy that rely on the ability to transfer and store their data based on efficiency and security decisions, rather than arbitrary requirements. MetLife is seeking new provisions that address this gap by extending data localization prohibitions to all sectors including financial services, as tabled by the United States in the Trade in Services Agreement negotiations.

Regulatory Cooperation

NAFTA should include a formal consultative mechanism on regulatory cooperation to ensure integrated cooperation on regulatory matters to work toward harmonized rules will help avoid costly regulatory inefficiencies that result from different rules in different markets. NAFTA's financial services chapter established the Financial Services Committee (FSC) which meets on an annual basis [Article 1412: Financial Services Committee]. Under the renegotiation, the FSC should also be charged with taking up regulatory cooperation.



Summary: As the largest life insurer in Mexico, MetLife supports the above-referenced modernizing reforms to NAFTA, but with a strong recommendation that such reforms be achieved while simultaneously preserving and keeping in force the benefits of the existing agreement. Specifically for MetLife, provisions on government procurement, investor protection and financial services are paramount.