

**Testimony to the U.S. House of Representatives  
Committee on Ways and Means**

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**“Hearing on Modernization of the North American  
Free Trade Agreement (NAFTA)”**

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*Testimony for the Record*

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**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 supported by many of our highly-skilled employees in the United States in fields such as investments, finance, and technology.

MetLife operates in markets around the world. 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. We are a “local” business - 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 in foreign markets.

## **MetLife Mexico: A Growth Story for MetLife**

Mexico is MetLife's 3rd largest market, 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: A NAFTA Enabled Business Highlights the Agreement's Benefits**

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 percent foreign equity limitation on foreign insurers. The Mexican government privatized Aseguradora Hidalgo because of commitments made under the agreement. That privatization paved the way for MetLife's acquisition of what had been a state-owned insurance company. Furthermore, NAFTA's rules on government procurement facilitate our ability to sell employee benefit products to the Mexican government and its employees under a fair and transparent process. Similarly, NAFTA provides strong protections for foreign investors through a binding investor-state dispute settlement process.

## **NAFTA Modernization Will be Helpful**

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 fortify our operations in Mexico by creating 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 preserve and keep in force the critical benefits of the agreement. MetLife is particularly focused on aspects of the NAFTA negotiations that would impact our business in Mexico. We do not do new business in Canada. We were pleased that the Administration's "Summary of Objectives for the NAFTA Renegotiation," released on Monday, July 17, 2017, largely followed the "first, do no harm" approach.

## ***Government Procurement is Critical to MetLife***

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. MetLife provides Mexican federal employees with life, medical and retirement insurance through employee benefit products. Most of these contracts are awarded through a public procurement process. NAFTA's rules on government procurement ensure that MetLife and other firms can compete for Mexican government contracts on a fair and transparent basis. In particular, non-discriminatory rules set out a transparent and objective tendering process that creates a level-playing field for U.S. firms operating in Mexico.

We are pleased to note from MetLife's experience doing business in Mexico that the Mexican government has honored both the letter and spirit of the government procurement chapter. This experience proves the power that trade agreements have to open markets when partner countries agree to reciprocal access.

It is important to add that the Federal Procurement Data System shows that the benefits from leveling the government procurement playing field thus far are flowing very favorably 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.

We are pleased the Administration plans to preserve NAFTA's existing commitments on government procurement as a baseline, while seeking to increase opportunities for U.S. firms to sell goods and services in our NAFTA partner markets. We also support the addition of anti-corruption provisions to NAFTA, as outlined in the Administration's negotiating objectives.

### ***Investment Protections are Key to Financial Services Companies***

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.

However, 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 ask that a modernized NAFTA 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.

While the Administration's objectives on investment are broadly consistent with the investment objectives outlined in Trade Promotion Authority (TPA), we were disappointed that the language did not include a specific reference to investor-state dispute settlement. As noted above, access to a binding arbitration mechanism allows firms like MetLife to ensure that they are able to meet their obligations to shareholders and gain redress if a party to the agreement breaks the rules.

### ***Affirm and Update Cross-border Data Flows and Data Localization Provisions***

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.

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. However, parties may also schedule exceptions or limitations to this requirement. In addition, 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 (TiSA) negotiations. The Administration's goal of ensuring NAFTA countries refrain from imposing barriers to cross-border data flows or that require the use of local computing facilities is a welcome modernization. It is a goal that will allow data-dependent companies, including MetLife, to manage their data in ways that prioritize security and efficiency.

### ***Regulatory Cooperation is Important for Highly Regulated Industries***

NAFTA should include a formal consultative mechanism on regulatory cooperation. This will encourage NAFTA participants to avoid costly regulatory inefficiencies stemming from inconsistent or contradictory regulation. NAFTA's financial services chapter established the Financial Services Committee (FSC) which meets on an annual basis. Under the renegotiation, the FSC should also be charged with taking up financial services regulatory cooperation. This committee could be used to implement the Administration's objective to seek good regulatory practices that ensure transparency and accountability in the development, implementation and review of regulations.

**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.