



## Support the U.S.-Mexico-Canada Agreement (USMCA) to Preserve a Competitive U.S. Auto Industry

### ISSUE

The U.S. auto industry relies on an integrated global supply chain and is particularly reliant on a favorable trading relationship within North America. The U.S.-Mexico-Canada Agreement (USMCA) modernizes and replaces the North American Free Trade Agreement (NAFTA) and maintains the framework for a stable manufacturing and distribution climate by continuing the tariff-free exchange of vehicles within North America. **Congress should pass USMCA to preserve competition in the auto industry and enable dealers to provide affordable vehicles to millions of Americans.**

### BACKGROUND

On November 30, 2018, President Trump and the leaders of Mexico and Canada signed USMCA, the trade agreement to replace NAFTA, which has been in effect since 1994. The agreement includes changes to auto-related provisions of trade between the countries, such as:

- increasing the minimum North American auto parts content from 62.5% to 75% to qualify for tariff-free trade within North America; and
- requiring that at least 40-45% of auto content be produced by workers in North American facilities earning at least \$16 per hour by 2023.

During USMCA negotiations, the Trump administration initially imposed steel and aluminum tariffs and threatened similar tariffs on autos. However, the administration has removed the steel and aluminum tariffs on Mexico and Canada and delayed any decision on auto tariffs until November 2019.

The administration and Congress are currently negotiating implementing legislation for USMCA. When the administration sends the bill text to Congress, the legislation is expected to be considered under an expedited procedure. **The bill will not be amendable in committee or on the floor and will require only a majority vote for passage.** House Democrats are expected to seek clarifications and additional conditions through side agreements, which are often used to address congressional concerns when unamendable trade agreements are considered.

### KEY POINTS

- **USMCA will maintain auto production and distribution in North America, the largest source of vehicles sold by U.S. dealers.** According to the Center for Automotive Research (CAR), 25% of new vehicles and 48% of auto parts sold in the U.S. are imported from Mexico and Canada, and 62% of U.S. exports of motor vehicles and parts go to Mexico and Canada. These tariff-free exchanges enhance the global competitiveness of the U.S. auto industry.
- **Approval of USMCA will reduce the threat of tariffs on vehicles and parts produced in North America.** Tariff-related price increases on vehicles and parts will cost jobs and hurt our economy. CAR estimates that price increases due to tariffs would result in a decline of up to 1.3 million units in vehicle sales and 117,500 lost dealership jobs in the U.S.
- **Passage of USMCA will preserve the global competitiveness of the U.S. automotive industry and enable dealers to provide affordable vehicle options for American consumers.**

### STATUS

Congress is expected to consider USMCA implementing legislation this fall. Congress should pass USMCA to maintain the competitiveness of the U.S. auto industry and to help ensure the continued availability of affordable vehicles and parts in the U.S.

*August 15, 2019*