USMCA
UNITED STATES-MEXICO-CANADA AGREEMENT

THE UNITED STATES-MEXICO-CANADA AGREEMENT FACT SHEET

Automobiles and Automotive Parts

The **United States-Mexico-Canada Agreement (USMCA)** is the most comprehensive and high-standard trade agreement ever negotiated. It fully updates, modernizes, and rebalances the NAFTA to meet the challenges of the 21st century economy and to ensure that American workers, farmers, ranchers, and businesses, including small- and medium-sized enterprises, share in the benefits of the agreement. It will help drive economic prosperity, promote fairer and more balanced trade, and help ensure that North America remains the world's most competitive region.

USMCA's Expected Impact on U.S. Auto Industry

The USMCA includes a number of innovative provisions designed to incentivize **new U.S. investments** in the automotive sector, to promote additional **purchases of U.S.-produced auto parts**, to advance U.S. leadership in **automotive R&D**, to support additional **high-paying U.S. jobs** in the automotive sector, and to encourage automakers and suppliers to locate **future production of new energy and autonomous vehicles** in the United States.

NEW U.S. AUTOMOTIVE INVESTMENTS OVER 5 YEARS*

+$34 billion

NEW U.S. AUTO PARTS PURCHASES ANNUALLY WITHIN 5 YEARS*

+$23 billion

NEW U.S. AUTOMOTIVE JOBS OVER 5 YEARS*

+76,000 Jobs

*Source: USTR Staff Estimates Based on Company Information

Key USMCA Upgrades from the NAFTA Covering Trade in Autos and Auto Parts

NAFTA's automotive rules of origin are outdated, permit 'free riding' by countries outside of North America, and have discouraged auto manufacturing and investment in the United States. The USMCA includes upgraded rules of origin for automobiles and automotive parts that will preserve and re-shore vehicle and parts production, and incentives new investments in the U.S. automotive sector.

"USMCA's requirements are estimated to increase U.S. production of automotive parts and employment in the sector…" *(U.S. International Trade Commission, April 2019)*

Elevates Regional Value Content (RVC) Requirements

- Establishes an RVC of 75 percent (vs. 62.5 percent in NAFTA), with similarly high content thresholds for core, principal, and complementary parts.

New Requirements for Vehicle Producer's Use of Steel and Aluminum

- At least 70 percent of a producer's steel and aluminum purchases must originate in North America.

Eliminates Loopholes that Undermine RVC Thresholds

- Eliminates NAFTA rules that allowed producers to 'deem' non-North American content as originating, regardless of origin. This will reduce free riding and help ensure key auto parts are made in the region.

Introduces a First-Of-Its-Kind Labor Value Content (LVC) Rule

- Requires that a certain percentage of qualifying vehicles must be produced by employees making an average of $16 per hour, helping level the playing field for U.S. manufacturers and workers.

Reduces the Administrative Burden on Vehicle and Parts Producers

- New origin procedures are designed to reduce the burden on automotive producers, while helping to strengthen enforcement of the agreement's automotive rules.