



# **UPDATING THE NORTH AMERICAN FREE TRADE AGREEMENT**

VIEWS OF THE ASSOCIATION  
OF GLOBAL AUTOMAKERS

# INTERNATIONAL AUTOMAKERS STRENGTHEN THE U.S. AUTO INDUSTRY

Today's U.S. automotive industry is a critical driver for the U.S. economy, supporting millions of direct and indirect jobs across the country. International automakers powered much of this advance, investing more than \$63 billion in the United States since NAFTA took effect.

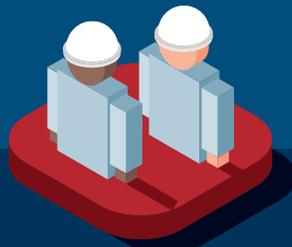
## ECONOMIC INTEGRATION WORKS FOR AMERICA

The U.S. automobile industry is strong and growing stronger. The industry today builds over one million more vehicles in the United States than were manufactured the year before NAFTA took effect.

**NEARLY HALF (47%) OF ALL VEHICLES BUILT BY AMERICAN WORKERS EACH YEAR ARE MADE IN PLANTS OPERATED BY INTERNATIONAL MOTOR VEHICLE MANUFACTURERS.**

NAFTA benefits the U.S. economy. It transformed economic relationships between the United States, Canada, and Mexico, and enabled the integration of automotive production and supply chains throughout the region. **NAFTA auto trade spurs innovation and supports highly-skilled and high-paying U.S. jobs.**

**SINCE NAFTA TOOK EFFECT IN 1993, INTERNATIONAL AUTOMAKERS HAVE:**



**DOUBLED THE NUMBER OF AMERICANS THEY DIRECTLY EMPLOY**  
(MORE THAN 130,000 TODAY)



**NEARLY TRIPLED THEIR U.S. PRODUCTION**  
(OVER 5.5 MILLION MADE-IN-AMERICA\*  
VEHICLES IN 2016)

\*Vehicles are made, built, or manufactured in the United States using domestic and globally sourced parts.

Under NAFTA, automakers and suppliers share production of vehicles and parts among all three countries to meet the needs of their customers. This integration reduces costs, expands vehicle production and vehicle choice for American consumers, and supports U.S. auto exports.

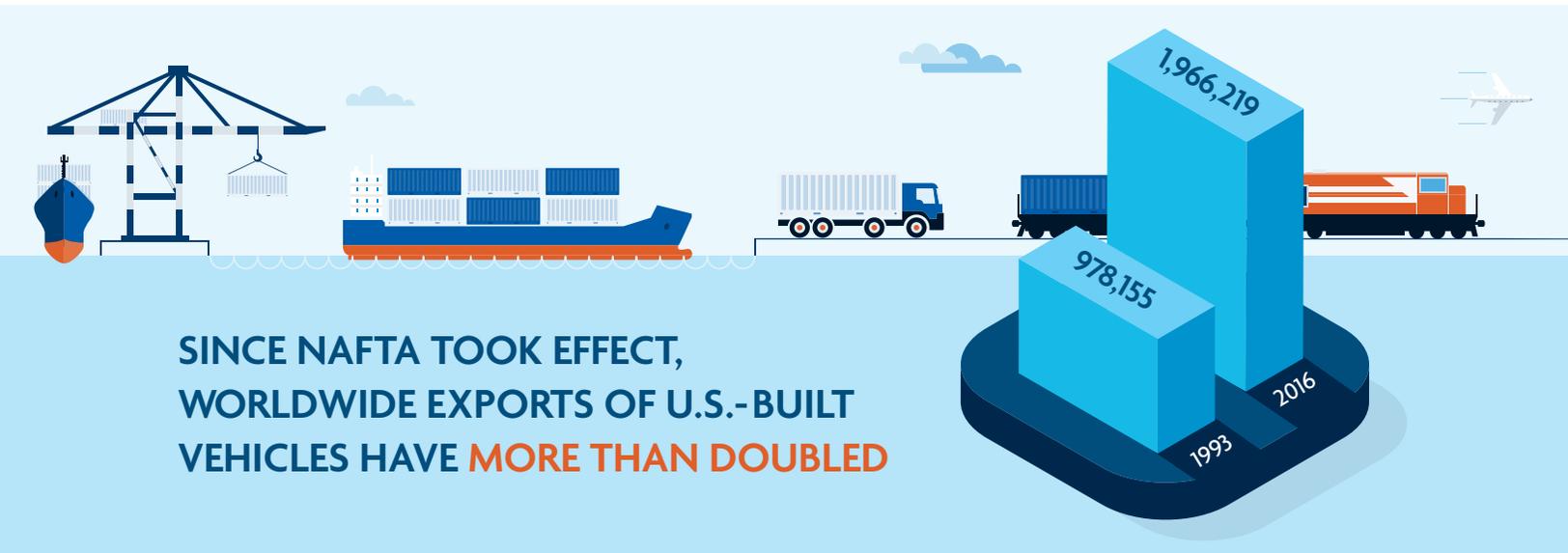
**THE INDUSTRY TODAY BUILDS OVER ONE MILLION MORE VEHICLES IN THE UNITED STATES THAN WERE MANUFACTURED THE YEAR BEFORE NAFTA TOOK EFFECT.**

Trade in autos and auto parts accounts for a large part of NAFTA trade and underscores the significance of shared and complementary auto and auto parts production strategies. In 2015, some **20 percent of all NAFTA trade (\$230 billion) was auto related.** Of this total, 45 percent were finished vehicles and 55 percent auto parts.

Trade and economic integration enabled by NAFTA enhances the global competitiveness of the U.S. automobile industry. Exports of U.S.-built cars and trucks worldwide **have more than doubled since 1993**, when NAFTA became effective, and today, increasing from 978,155 vehicles to 1,966,219 vehicles. The value of these same exports has more than tripled, rising from \$14.3 billion in 1993 to more than \$54 billion in 2016. International automakers increased their exports of U.S.-built vehicles **five-fold since 1993**, from 121,300 vehicles to 925,000 cars and trucks in 2016.

**TRADE AND ECONOMIC INTEGRATION ENABLED BY NAFTA ENHANCES THE GLOBAL COMPETITIVENESS OF THE U.S. AUTOMOBILE INDUSTRY.**

NAFTA is instrumental to growing markets and providing greater access to those markets by U.S. producers. In 1993, U.S. motor vehicle exports to Mexico totaled just 8,847 units. In 2016, total auto exports reached 178,664 units, and the significance of the Mexican market will continue to grow. U.S. auto exports to Canada also increased substantially over the lifespan of NAFTA, growing 228 percent.



**SINCE NAFTA TOOK EFFECT, WORLDWIDE EXPORTS OF U.S.-BUILT VEHICLES HAVE MORE THAN DOUBLED**

**NAFTA AUTO TRADE SPURS INNOVATION AND SUPPORTS HIGH-PAYING U.S. JOBS.**

NAFTA brings important benefits to America. Disrupting the integrated market and supplier network would jeopardize the industry's global competitiveness, threaten U.S. auto jobs, and limit vehicle choices for American consumers.

**The Association of Global Automakers** represents international motor vehicle manufacturers, original equipment suppliers, and other automotive-related trade associations. We work with industry leaders, legislators, regulators, and other stakeholders in the United States to create public policy that improves motor vehicle safety, and encourages technological innovation. Our goal is to foster an open and competitive automotive marketplace that encourages investment, job growth, and development of vehicles that can enhance Americans' quality of life. For more information, [visit globalautomakers.org](http://globalautomakers.org).



**BOSCH**

**DELPHI**

**DENSO**



**HONDA**



**ISUZU**



**NISSAN**



**TOYOTA**

## RECOMMENDATIONS FOR MODERNIZING NAFTA

Global Automakers supports efforts to review and update NAFTA in ways that will help expand the U.S. economy and make U.S. manufacturing more competitive. As this effort gets underway, it is vital that an open and transparent process solicit input from all industry sectors and participants.

### CONSISTENT WITH THESE VIEWS, OUR INITIAL RECOMMENDATIONS ARE THAT NAFTA:

#### Remain a trilateral agreement.

Its regional nature is essential to the success of NAFTA. NAFTA has promoted investment in a North American market, allowing automakers to develop highly integrated regional supply chains and production networks using a single set of rules. Relying on a single set of rules reduces regulatory burdens, promotes U.S. competitiveness and job creation, and expands choice for U.S. consumers.

#### Retain the existing rule of origin for autos.

NAFTA contains the highest automotive origin requirement of any U.S. free trade agreement, and it has accomplished its objective of promoting regional content. It is particularly beneficial to U.S. auto parts suppliers as their exports have tripled to Mexico and increased by 43 percent to Canada. Prior to NAFTA, the U.S. content of vehicles imported from Mexico was 5 percent. Under NAFTA, that has jumped to 40 percent. The automotive rule of origin has encouraged U.S., Canadian, and Mexican production; enabled NAFTA-wide integration of the industry; and enhanced U.S. automakers' competitiveness.

#### Support the free flow of data, cybersecurity measures, privacy and data protection standards, and take other steps to support electronic commerce.

Motor vehicles and the technology they contain have changed dramatically since NAFTA's inception. A modernized NAFTA should advance privacy protections, enhance data security, and facilitate cross-border data flows that drive growth, development, job creation, and innovation.

#### Upgrade protections for intellectual property.

NAFTA should be updated to include expanded protections for intellectual property, consistent with more recent free trade agreements.

#### Include state-of-the-art customs and trade facilitation provisions, as well as a mechanism for addressing border infrastructure bottlenecks.

Simplifying customs procedures, utilizing best practices and risk management, and releasing goods efficiently would benefit all NAFTA stakeholders (industry and regulators). Improving border infrastructure can reduce chronic delays that add cost and complexity to NAFTA operations.

#### Equalize incentives for U.S. vehicle production and exports.

NAFTA contains a provision that limits the use of "drawback," a procedure that allows companies to receive import duty rebates if these products are subsequently exported. Under NAFTA, U.S.-made vehicles exported to Canada and Mexico do not receive drawback even when those products meet NAFTA's strict origin standards. Eliminating this provision (Article 303) will promote U.S. employment and exports.

**GLOBAL AUTOMAKERS BELIEVES THESE MODIFICATIONS, IMPLEMENTED IN A WAY THAT ENSURES A SEAMLESS TRANSITION, CAN STRENGTHEN THE NAFTA AGREEMENT AND SUPPORT ADDITIONAL U.S. JOBS.**

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