

# United States-Mexico-Canada Agreement

## Automotive Considerations



"...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 part
- To advance U.S. leadership in automotive R&D
- To support additional high-paying U.S. jobs in the automotive sector
- To encourage automakers and suppliers to locate future production of new energy and autonomous vehicles in the United States."

*-From the Office of the United States Trade Representative, December 2019*

When enacted, the United States-Mexico-Canada Agreement (USMCA) will necessitate the evaluation of virtually all automotive supply chains in North America, particularly those with imported content and content from low cost producers

Provision	NAFTA	USMCA	Change
Regional Value Content (RVC) total vehicle	62.5%	75.0%	Increased Requirement with progressive target starting at 66% RVC at signing
RVC <b>core parts</b> like engines, transmissions, body and chassis, axles, etc.	NA or low requirement	75%	Increased Requirement
RVC for <b>principal parts</b> like tires, glass, pumps and compressors, brakes, etc.	NA or low requirement	70%	Increased Requirement
RVC for <b>complementary parts</b> like instrument panels, catalytic converters, etc.	NA or low requirement	65%	Increased Requirement
Labor Value Content (LVC) for higher wage workers (\$16 / per hour average for the producing facility)	NA	40% of the value for cars (45% for light trucks)	New Requirement, Up to 10% of LVC can come from engineering/design/R&D, plus up to 5% for final vehicle assembly.
Free Riding Loophole	Parts could be "deemed" of North American origin	NA	Closed loophole
Steel <b>melted and poured</b> requirement	NA	70% of steel content must be of North American origin	Melted and poured requirement for steel will close loophole used to avoid 232 tariffs