



July 24, 2023

Ambassador Katherine Tai
United States Trade Representative
Office of the U.S. Trade Representative
600 17th St. NW
Washington, DC 20508

Re: Autos Drive America Comments to Docket USTR-2023-0005, Request for Comments Regarding the Work of the North American Competitiveness Committee

Dear Ambassador Tai:

Autos Drive America appreciates this opportunity to provide comments in response to USTR's request for input regarding the work of the North American Competitiveness Committee and opportunities to further enhance North American competitiveness.¹

Autos Drive America represents 13 international automakers and suppliers operating more than 30 manufacturing facilities in the United States, where nearly half of all American-made vehicles are produced annually. International automakers directly employ over 156,000 Americans, 66 percent of whom work directly in manufacturing roles. In 2022, international automakers exported 695,000 American-built vehicles to more than 130 countries—with the value of those exports totaling nearly \$24 billion. And in the past 60 years, international automakers have invested more than \$107 billion in the United States alone.

The continued growth and global competitiveness of the auto industry in the United States is among the key success stories brought about by the North American Free Trade Agreement ("NAFTA"). NAFTA created the conditions for automakers to establish and maintain an integrated manufacturing platform and consumer base across North America. The United States-Mexico-Canada Agreement ("USMCA") presents an opportunity to further expand that regional integration and competitiveness in the automotive sector.

Chapter 26 of the USMCA and USTR's request for comments emphasize the importance of "economic integration" between the USMCA Parties, the "facilitat[ion] of regional trade and investment," and the maintenance of a "predictable and transparent

¹ *Request for Comments Regarding the Work of the North American Competitiveness Committee*, 88 Fed. Reg. 39,502 (June 16, 2023).



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regulatory environment.” These fundamental objectives lie at the heart of all the Agreement’s provisions, and they drive the success of the North American auto industry.

However, by the same token, the full potential of the Agreement can only be reached if all of its provisions are fully implemented and enforced—and if the outcomes of dispute settlement proceedings are respected—by all three Parties.

Autos Drive America and its member companies closely followed the proceedings in the *U.S. – Automotive Rules of Origin* dispute. We shared the concerns raised by the governments of Mexico and Canada, as well as our industry partners, regarding the U.S. reinterpretation of the text of the Agreement. We appreciated the diligent work of the panel in that dispute to review the text of the Agreement and the submissions of the Parties.

The continued delay in implementing the panel’s unanimous finding that the United States’ application of the USMCA automobiles rules of origin is inconsistent with its obligations not only undermines the rules-based trading system and the credibility of the USMCA dispute settlement procedures as a whole, but also undercuts the very goal USTR pursues in their request for comments—North American competitiveness.

The full implementation of the panel decision by the United States is of paramount importance to ensure the continued competitiveness of the automotive sector. The rules, as negotiated and agreed to, carefully struck the desired balance of the three Parties to heighten the NAFTA rules of origin while promoting additional investments needed for the North American auto industry to remain globally competitive. For this reason, automakers began making substantial plans and additional investments in the territories of all three Parties to comply with the new rules as soon as the USMCA negotiations were concluded.

Autos Drive America is concerned that automotive manufacturers would be forced to divert limited resources away from investments in new, high-value jobs and production to deal with the uncertainty caused by the continued delay in implementing the panel decision. The positive impact on North American competitiveness would be far greater if the United States were to implement the text of the Agreement as negotiated, as confirmed by the panel, and as automakers expected when planning their investments at the conclusion of the USMCA negotiations. Doing so would remove the cloud of uncertainty that hangs over automakers’ future investments to support the localization of high-value, high-tech auto parts and create new manufacturing jobs in the United States and the North America.

The U.S. International Trade Commission (“ITC”) recognized this fact in its report on the economic impact of the automotive rules of origin released on June 30, concluding that “uncertainty over the dispute may have delayed the sector’s investments or other adjustments to the [rules of origin], contributing to the minimal effects from the [rules of



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origin] seen so far.” The ITC highlighted not only the uncertainty during the dispute proceedings but also the fact that “automakers may need time to adjust their supply chains” based on the result, and the ITC noted the lack of official U.S. government guidance. In other words, the effects of the dispute—caused by the U.S. unilateral reinterpretation—were among the factors that the ITC found to have a greater impact to date than the rules of origin themselves. USTR has touted the USMCA’s high-

standards in the automotive sector, but the ITC’s report makes clear that the failure to implement the agreement in the manner that it was written and agreed upon will inevitably whittle away its worth.

In conclusion, to fully enhance North American competitiveness on the global scale, the USTR should immediately act to bring its interpretation of the USMCA automotive rules of origin into compliance with the findings of the panel decision.

Thank you for your consideration of these comments and your commitment to North American integration and competitiveness.

Sincerely,

A handwritten signature in cursive script, reading "Jennifer M. Safavian".

Jennifer M. Safavian
President and CEO