USMCA & THE FUTURE OF THE U.S. AUTO INDUSTRY

USMCA IS THE BACKBONE OF U.S. AUTO COMPETITIVENESS

- The United States is the second-largest vehicle producer in the world behind only China, and by far the largest in North America, producing 10.4 million vehicles in 2025, or 68% of all USMCA-region production.
- Together, auto manufacturers, suppliers, and retailers form an integrated automotive economy that supports nearly 11 million American jobs. Auto vehicle and parts manufacturing is the largest manufacturing sector in the United States, accounting for nearly 11% of all U.S. manufacturing output and providing more than 900,000 direct American jobs.
- Since 2018 and the conclusion of USMCA negotiations, the industry has added 19 new U.S. production facilities and automakers and suppliers have announced investments of $448.5 billion in North America, with more than 75% landing in the United States ($346.5 billion) and much of it tied to the agreement's local-content requirements.
- According to the U.S. International Trade Committee, USMCA is estimated to support 5,387 additional U.S. auto parts manufacturing jobs, generate $3.4 billion in additional revenue for U.S. parts manufacturers, and deliver $336 million in total annual wage gains for auto parts workers.

A TRILATERAL USMCA KEEPS VEHICLES AFFORDABLE

- More than 5.3 million affordable vehicles (those with an MSRP of $35,000 or less) were sold in the U.S. in 2025.
- Affordable vehicles are essential to the millions of Americans who rely on local dealerships and manufacturer showrooms for transportation needs. Auto retailers in every state compete to provide consumers with a broad selection of vehicles at competitive prices that keep Americans on the road.
- 68% of all affordable vehicles sold in the U.S. were built in North America, with 31% built in the U.S. alone. Canadian and Mexican production isn't competing with American workers; it complements our industry, and it's what makes affordable options possible, often using U.S.-made engines and components.
- Section 232 tariffs on vehicles, parts, steel, and aluminum cost the industry an estimated $35 billion in 2025 alone, adding roughly $1,600 to $2,000 in input costs to every vehicle built domestically, even fully U.S.-made ones.
- New vehicle inventory had fallen for twelve consecutive months as of March 2026, and has remained flat since, a warning sign that tariff-driven cost and uncertainty are already constraining supply and, eventually, consumer prices.

CHINA'S AUTO EXPORT SURGE IS THE REAL COMPETITIVE THREAT

- Chinese vehicle exports have grown roughly twelve-fold in five years, from about 1 million vehicles in 2020 to a pace of around 12 million in 2026, a faster scale-up than any country has ever achieved.
- China now has the capacity to build roughly 55 million vehicles a year against domestic demand of about 27 million, leaving approximately 18 million units of excess capacity actively searching for export markets.
- A strong, coordinated North American market is essential to remaining competitive against China's state-supported automotive industry. Competing with China requires greater investment, faster innovation, and greater production scale, advantages a unified North American market makes easier to achieve.

BOTTOM LINE FOR MEMBERS AND STAFF

- **A strong USMCA is an America-first auto policy:** USMCA gives North America the scale needed to compete with China's state-backed auto industry. Scale drives competitiveness: the more vehicles that automakers and parts suppliers build across an integrated North American production platform, the lower production costs become. Competing from a regional production base of 16 million vehicles annually is far stronger than trying to compete as three separate markets against a Chinese industry with roughly 18 million units of excess capacity already seeking new markets.
- **A stable USMCA provides the predictability needed for billion-dollar investments:** Automakers and parts suppliers make manufacturing decisions years in advance. Stable trade rules give companies the confidence to build new plants, expand supplier networks, and create high-paying jobs in North America. North America's integrated supply chains, skilled workforce, efficient logistics, and predictable trade environment are critical advantages that support continued investment.
- **Give the current rules time to work:** Significant changes to USMCA at this stage would undermine the hundreds of billions of dollars automakers and parts suppliers have already invested in U.S. manufacturing to meet the agreement's stringent requirements. The updated rules of origin for light vehicles have only been fully phased in for less than a year, and policymakers should allow sufficient time to evaluate their economic impact before considering significant changes.
- **Preserve USMCA as a trilateral agreement in the 2026 joint review:** The strength of USMCA comes from an integrated North American market. Splitting the agreement into separate bilateral deals with Canada and Mexico would disrupt the supply chains, production networks, and investment decisions that automakers have spent hundreds of billions of dollars building across the region in order to comply.
- **Address Section 232 tariffs on vehicles, parts, steel, and aluminum in North America:** These tariffs undermine the competitiveness goals of USMCA by increasing costs for manufacturers, suppliers, and consumers. Over the past year, tariffs have cost the industry more than $40 billion, making it more expensive to produce vehicles in the United States and limiting affordable options for American consumers.