



The Vehicle Suppliers Association

STATEMENT OF
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BEFORE THE
SENATE COMMITTEE ON FINANCE
HEARING ON THE U.S.-MEXICO-CANADA AGREEMENT: EVALUATING NORTH
AMERICAN COMPETITIVENESS
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Chairman Crapo, Ranking Member Wyden, and distinguished members of the Committee, thank you for the opportunity to testify today on the value of the United States-Mexico-Canada Agreement (USMCA) to the motor vehicle supplier sector.

My name is Paul McCarthy, and I serve as President and CEO of MEMA, The Vehicle Suppliers Association. It is my great honor to appear before you and represent the interests of the supplier companies working in each of your states and all across our nation. With more than 930,000 individuals employed in the U.S., vehicle suppliers represent the largest sector of domestic manufacturing jobs. Every day, our member companies make quality products in America and invest in their communities. The preservation of the USMCA is critical to the continued profitable growth of U.S. vehicle suppliers.

MEMA, The Vehicle Suppliers Association, is the U.S. trade association for the vehicle suppliers, parts manufacturers, and remanufacturers for passenger cars and commercial vehicles. The mobility sector depends on the resiliency and strength of its suppliers, and MEMA has been the voice of the supplier industry since 1904. MEMA has witnessed the growth of the U.S. vehicle supplier sector for 122 years. Throughout, suppliers have proven their resilience, overcoming incredible challenges and disruptions to keep the U.S. at the forefront of global vehicle manufacturing and technology.

MEMA's members design and manufacture the technologies, components, and services that comprise 70 percent of the value of new vehicles, as well as provide the essential maintenance and repair for the more than 297 million highway vehicles on

U.S. roads. As consumers, we often take for granted the safety, efficiency and comfort of our vehicles, as well as the durability and longevity of commercial trucks, but that is only achievable due to the extraordinary creativity, commitment and hard work of suppliers.

Suppliers operate facilities in all fifty states and in more than 350 Congressional districts, with significant concentrations in the Midwest and Southeast. The vehicle supplier industry continues to grow, adding 61,000 jobs in the U.S. since 2015.

Since the USMCA was implemented in July 2020, it has enhanced U.S. job creation and the overall economic footprint of the motor vehicle supplier sector. The growth of the industry was highlighted in a July 2025 International Trade Commission (ITC) report, which found that U.S. parts production increased by over \$37 billion dollars from 2019 to 2024, reaching \$349.0 billion a year.¹ The ITC also noted that more U.S. vehicle supplier growth was expected as the mobility sector fully adjusted to the USMCA's provisions.

MEMA is grateful for the vision of President Donald Trump in creating the USMCA and strengthening the important economic, national security, and industrial connections between the three nations. The President's strategic goal of establishing a more comprehensive and modern framework has now been implemented as the most stringent automotive agreement in the world.

MEMA's more than 900 member companies, representing Original Equipment and Aftermarket, as well as Passenger Car and Commercial Vehicle, strongly support the continuation of this successful agreement in its current form. MEMA worked extensively with the Administration and the U.S. Congress during the renegotiation and the industry welcomed the strong bipartisan votes in the U.S. Congress in favor of this vital agreement.

As we move towards the six-year anniversary of the USMCA and the review, MEMA believes that the overarching goal should be to preserve and strengthen the agreement to enable additional growth by vehicle suppliers and other segments of the U.S. economy. I cannot overemphasize the importance of the agreement to the daily operations of MEMA's member companies and – most critically – to their future planning, capacity placement and investment decisions. The supplier companies are

¹ U.S. International Trade Commission (ITC), USMCA Automotive Rules of Origin: Economic Impact and Operation, 123 (July 2025), [USMCA Automotive Rules of Origin: Economic Impact and Operation, 2025 Report](#)

capital-intensive, R&D-driven, and have long return-on-investment cycles, which demand stability, continuity, and certainty about the future to support investments and job growth.

The USMCA also includes novel provisions for the supplier industry, such as the formal definition and recognition of remanufactured goods. These provisions have delivered concrete benefits, promoting investment, supporting high-quality U.S. jobs and expanding consumer choice.

Notable improvements over the former NAFTA agreement have opened the door to new commercial and growth pathways for U.S. companies, including many small and medium-sized “main street” suppliers. Small and medium-sized entities represent over 60% of the MEMA membership. These are main street companies with deep roots in their local communities. They represent a legacy of U.S. leadership, innovation and growth. It is essential to note that the USMCA serves as a key underpinning of their operations. For example, several smaller supplier members have shared with me how critical the USMCA has been to expanding their companies and enhancing their business opportunities with customers. The agreement has solidified their prospects for the future and empowered them to put more jobs in states including Indiana, Missouri and Arkansas. It is critical for Congress and the Administration to recognize and remember that small businesses also depend on the USMCA and the stability afforded by the agreement.

Overall, MEMA members have expended significant effort and resources over the past few years to achieve USMCA compliance. A MEMA member survey, conducted in early 2025, reflected a very high level of USMCA-qualifying items. Further, we are in the early stages of the agreement’s tenure, and the full scale of the real-world benefits have yet to be realized. For the mobility sector, complex supply chain adjustments, the establishment of new production sites, and stringent quality, safety, and validation standards require a multi-year transition process. In the light-duty vehicle sector, many suppliers are still in the midst of re-aligning supply chains in order to fully meet the parameters for the Regional Value Content (RVC) requirements. In some cases, it has not been possible to implement these changes within a five-year window, as new sub-suppliers and vendors had to be identified, validated and ramped up. The situation is even more critical for commercial vehicle suppliers who are working to meet the RVC requirements that are not fully implemented until July 2027.

In the Fall of 2025, MEMA conducted an internal study² of its members to capture the industry's sentiment with regard to the USMCA. I wanted to emphasize two key findings for the Committee's awareness.

Number one: Suppliers believe that regional manufacturing has preserved U.S. jobs and afforded benefits for American consumers. Industry leaders emphasized that the stability and continuity of the USMCA are essential for their future capital investment. The vehicle sector requires long time periods to enable these significant decisions – from inception to shovels in the ground. Those decisions, in turn, lead to more direct and indirect jobs as well as economic stimulus for states across the country.

Number two: Over 70% of respondents to the MEMA internal survey identified North America as the core region for their sourcing and manufacturing for their businesses, meaning vehicle suppliers don't just assemble imported components; the industry really builds here. The figure rose to 83% for companies that make components covered by the "core parts" category within the USMCA rules of origin. The agreement is working and delivering real results.

I want to share two concrete examples of how the USMCA is driving real growth for our member companies and how the agreement is enabling them to compete and win in this highly competitive market.

One vehicle supplier is headquartered in Indiana and has a long legacy of manufacturing in America. This company has relied on North American trade for decades and has dramatically accelerated its investment in domestic operations since the implementation of the USCMA. The company has established a new manufacturing center where it designs and engineers its products, which serve the commercial vehicle market in the U.S. and in Mexico. The company relies on select inputs from Canada and Mexico to support its manufacturing operations in Indiana. The USMCA allows those components to move efficiently across borders so production and jobs stay in the U.S. Because of the certainty provided under USMCA, the company has invested more than \$20 million in U.S. plants and equipment. In 2026, they will achieve a 25 percent increase in employment at their Indiana

² MEMA Internal Survey of Members. The MEMA internal survey was conducted September 9 – 30, 2025, via invitation to an online survey.

headquarters. This is the USMCA in practice: investment, growth, and high-value manufacturing jobs anchored in the U.S.

My second example comes from a fourth-generation, family-owned automotive supplier headquartered in Michigan, employing 200 individuals across with five U.S. facilities. Due to the USMCA, this American company grew 25 percent between 2019 and 2025, expanding production and jobs in the United States U.S. rather than offshore. The company is a net exporter and sources 85 percent of its raw materials from U.S. suppliers. One of its plants, located in Texas, depends on customers in Mexico for nearly two-thirds of its sales. In Michigan, the company has invested more than \$1 million dollars in manufacturing equipment and added capacity specifically to support exports to Canada and Mexico. If access to the Mexican market was curtailed, the Texas plant would become unsustainable and the business would shift to a direct competitor operating in Mexico.

Both success stories strongly emphasize my central point which is that the steady presence of a strong USMCA has given suppliers the confidence to invest in their U.S. operations for the future.

Supplier Operations Contribute to the Economic Health and Vitality of the U.S. Economy

The vehicle supplier industry is an essential part of the U.S. economy. As noted above, vehicle suppliers employ more than 930,000 individuals across the U.S. A national employment study, commissioned by MEMA and completed in December 2024, reinforced the presence of the supplier industry in the Midwest as well as its increasing contributions to states such as Alabama, Texas, North Carolina and South Carolina. We note that this growth is not limited to the passenger car and light-duty segments. In fact, the MEMA national employment study found that U.S. employment in the medium and heavy-duty commercial vehicle supplier sector increased by 5.6% since 2019, including growth in truck, trailer and body manufacturing, tires and telematics. Ohio, Indiana, Texas and Michigan saw the most significant increases in jobs for this segment of the supplier industry.³

³ MEMA Employment Study - December 2024.

The ITC report reinforces MEMA’s position, noting that parts production in the U.S. expanded between 2019 and 2024, which resulted in an increase in employment and a positive impact on capital expenditures and wages.⁴

Vehicle suppliers are responsible for much of the content on modern vehicles and play an essential role in creating, mobilizing and adapting the global supply chains that support the mobility sector. An average vehicle includes 30,000 components and can easily reach 40,000 or more, reflecting the inherent complexity and sophistication of the modern vehicle manufacturing sector.

In the vehicle manufacturing industry, assembly line suppliers are categorized in tiers. Tier 1 manufacturers provide new original equipment, such as finished parts, components, and systems, directly to the OEMs. Tier 2 manufacturers are niche or specialty component manufacturers that provide subcomponents and other content to Tier 1 manufacturers. Tier 3 companies are typically the suppliers of raw or semi-finished materials such as metals or plastics, for both Tier 1 and 2 suppliers. Often, Tier 2 and 3 suppliers also provide products to customers in other industries outside of the mobility sector. These tiers are not exclusive. In fact, there are many situations where suppliers may act as Tier 1 suppliers to OEMs, but also Tier 2 suppliers to a Tier 1. As a result, the supply chain, customers, and jobs they support are highly interdependent—one change to the supply chain will cause ripple effects across the industry.

Further, vehicle suppliers manufacture replacement and aftermarket parts and other materials, chemicals, and technologies that are essential for the maintenance and repair that keep vehicles on U.S. roadways safe and affordable. Suppliers are the foundation of an aftermarket sector that represents approximately \$557 billion in economic activity and more than 500,000 businesses, many of them small entities.

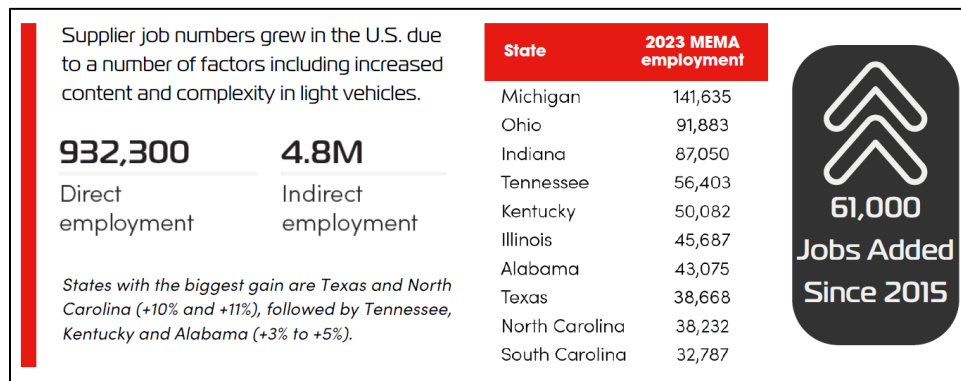


Figure 1 – MEMA National Employment Study Results

⁴ USMCA Automotive Rules of Origin: Economic Impact and Operation, *supra* note 4, at 100.

Supply Chain Resiliency and Global Competitiveness

The disruptions caused by the COVID-19 pandemic and natural disasters over the past few years have reinforced the importance of localization and a resilient regional supply chain. The USMCA accelerated supplier industry steps to shift a greater portion of its activities into the region to support the North American operations of its customers. The July 2025 ITC report highlights the reduction of parts imports from around the world during the years covered by the USMCA framework. The ITC report indicates that the U.S. reduced its reliance on imported vehicle parts by 25% in the two years they analyzed: the U.S. “imported nearly \$245.3 billion in vehicle parts”⁵ in 2022, while “U.S. imports totaled \$182.9 billion”⁶ in 2024. The ITC attributed the reduction in sourcing of parts and materials from the rest of the world to the USMCA and found that the agreement “increased U.S. revenues from parts production, as well as employment, wage payments, and capital expenditures on parts production...”⁷

Many other positive repercussions of the USMCA are less visible but still equally important. The Fall 2025 MEMA member survey found that the intellectual property (IP) protections in the agreement have aided suppliers, who are our industry’s leaders in new designs, research and development, and innovation. The survey further illuminated the importance of the stability, continuity, predictability, and assurance afforded by the USMCA to the supplier community, which are all vital elements to support future investments and reshoring initiatives.

The agreement is critical not only for domestic manufacturing but also for the future of the mobility industry. The USMCA gives the U.S. additional leverage to counterbalance increasing Chinese influence over global trade and its power and scale in the auto industry. In 2024, the U.S. engaged in \$1.6 trillion worth of total trade with Mexico and Canada, representing 2.75 times the trade volume with China.⁸ In fact, the USMCA region comprises almost one-third of global GDP.⁹ Further, as highlighted in USTR’s recent communication to Congress, “U.S. exports of goods and services to Canada and Mexico are up 56% since 2020.”¹⁰ The USMCA enables the U.S.

⁵ *Id.* at 38.

⁶ USMCA Automotive Rules of Origin: Economic Impact and Operation, *supra* note 4, at 44.

⁷ *Id.* at 98.

⁸ Top Trading Partners” 2024 Factsheet, The Bureau of the Census, U.S. Department of Commerce, February 2025; <https://www.census.gov/foreign-trade/statistics/highlights/top/top2412yr.html>.

⁹ “Global GDP (U.S. Dollars): Factsheet,” World Bank Group Annual Report, 2024.

¹⁰ Opening Statement for the House Ways and Means Committee and the Senate Finance Committee by Ambassador Jamieson Greer, December 16-17, 2025.

to benefit from regional economies of scale and scope and, thereby, compete with countries that embrace unfair trade practices or drive over-capacity.

When coupled with a strong enforcement regime to ensure a level playing field for all companies – a central tenet which MEMA supports – the unique relationship between the U.S. and its North American neighbors has provided the mobility sector with a winning formula to enhance the region’s global posture amidst an intensely competitive global landscape for vehicle production. As part of the MEMA internal survey, 62% of the respondents reflected their consideration of relocating manufacturing operations to the U.S. from overseas locations. Multiple members have communicated to MEMA their ongoing efforts to move manufacturing lines, specifically from China to North America.

MEMA is supportive of the Administration’s strong enforcement posture with respect to illegal transshipment¹¹ or any violation of the key requirements of the agreement. Moreover, companies that invest to ensure complete and transparent compliance cannot be placed at a disadvantage by entities that choose to blatantly disregard the established rules of the USMCA framework.

MEMA’s members acknowledge the need to increase supply chain resiliency in the sourcing of key raw materials, technologies and parts to ensure a robust U.S. domestic supply chain. There is an opportunity to collaborate with Mexico and Canada to strategically increase resilient local production of key inputs and requisite supply chain elements. Such items would include semiconductors and rare earth magnets as well as other items and materials that are not available in sufficient quantities to meet the industry’s needs. MEMA welcomed the reference to critical minerals in U.S. Trade Representative Jamieson Greer’s December 2025 report to Congress, MEMA supports the proposal to include within the USMCA elements to “incentivize more mining, processing, recycling, reuse, and manufacturing of critical minerals and derivative products in the region.” MEMA views initiatives to create resilient, secure sourcing of key vehicle manufacturing inputs as a vital step for motor vehicle suppliers. Regional collaboration to jump-start resilient supply chains for

¹¹ See Customs Trade Partnership Against Terrorism (CTPAT) Alert – Illegal Transshipping, July 2025 (“Transshipping is the process of transferring goods from one mode of transportation to another (often from one vessel or port to another) during their journey from origin to destination. While transshipping itself is legal and common in global trade logistics, it becomes illegal when used deceptively to avoid duties, sanctions, or trade restrictions.”), [CTPAT Alert – Illegal Transshipping – July 16, 2025](#).

critical items is a strong argument for USMCA continuation and could be a critical aspect of the USMCA review.

Conclusion

MEMA appreciates this opportunity to share its perspective on the USMCA. The industry reiterates its support for President Trump's leadership in establishing the USMCA and providing the framework for a robust and modern trade agreement for vehicles and parts.

The USMCA framework has established and must continue to provide a clear guide for the future, delivering the essential stability necessary for the long-term, large-scale investments made by vehicle suppliers. Because the industry relies on multi-year, strategic product cycles, stability and certainty are critical to capital planning. The supplier industry views the USMCA as the cornerstone of U.S. motor vehicle and parts global economic competitiveness. The agreement has delivered real results for the industry and for the country: more U.S. jobs, more U.S. economic growth, more supply chain resilience, and more investment.

MEMA views the trilateral agreement as a key platform for ensuring future American vitality and leadership in the mobility industry. Suppliers, and our more than 930,000 employees in communities across the U.S., stand prepared to work with the federal government to advance and grow U.S. manufacturing. We urge the U.S. Congress and the Administration to consider the economic importance of the vehicle supplier sector as the USMCA review proceeds, and to chart a path forward that will provide stability for manufacturers and enable greater investment in the United States.

Thank you.