



Statement of Governor Matt Blunt
President of the American Automotive Policy Council
United States Senate Committee on Finance
Hearing on the United States-Mexico-Canada Agreement (USMCA)

July 30, 2019

Chairman Grassley, Ranking Member Wyden, and members of the Committee, thank you for the opportunity to testify today on USMCA – a truly 21st Century trade agreement with our Canadian and Mexican trading partners.

My name is Matt Blunt, President of AAPC – the American Automotive Policy Council – which represents the common public policy interests of our U.S. automakers: FCA US, Ford Motor Company, and General Motors Company, with an emphasis on international trade and economic policy interests of our member companies.

America’s automakers are confident that – once approved by Congress – USMCA will not only help bring much needed predictability and help maintain the competitiveness of the U.S. auto industry, it will also serve as a blueprint for future U.S. trade agreements, allowing our automakers to thrive in the increasingly global auto market.

When negotiations with Canada and Mexico began, AAPC and its member companies had four priorities:

- (1) Maintain duty-free access to the Canadian and Mexican auto markets – two of the largest vehicle markets in the world;
- (2) Include provisions to address currency manipulation by our trading partners;
- (3) Ensure continued acceptance of U.S. auto safety standards in the region; and
- (4) Include a balanced and workable rules of origin for vehicles and parts in North America.

We firmly believe the negotiators achieved these priorities.

First, USMCA will preserve critical duty-free access to two of the largest vehicle markets in the world, where our companies have been incredibly successful. In Canada, our brands now account for about 40 percent of the 2 million vehicles sold. And in Mexico, American

nameplates have secured 27 percent of the 1.4 million vehicle market – a market that is expected to steadily grow in the future.

We also commend U.S. negotiators for creating stronger but workable rules of origin for vehicles and parts in the region. The new rules raise NAFTA’s current minimum content levels – which are the highest of any trade agreement in the world – from 62.5% to 75% – will require all automakers to make changes to their sourcing strategies, but we believe these changes are feasible and will benefit the U.S. auto industry and the millions of jobs they directly and indirectly support here at home. In fact, our member companies have already announced \$6 billion in new U.S. investments, which were driven in part by the new USMCA rule of origin requirements. We agree with the Administration that the new rules of origin will strongly incentivize more investment in the United States, and more U.S. investment means more American jobs.

Ambassador Lighthizer and his team also successfully crafted and negotiated two, groundbreaking provisions that will lock-in the acceptance of vehicles built to U.S. safety standards, as well as provisions to prevent currency manipulation. These are the strongest such provisions ever included in a U.S. free trade agreement. Like the Administration, we believe these new provisions should be included in every future U.S. free trade agreement.

In short, American automakers have given their full support to USMCA because it will not only help the U.S. auto industry remain globally competitive, it brings certainty and stability, which in turn will encourage automakers – foreign and domestic – to invest and expand here in the United States.

The President’s decision last month to lift the tariffs on steel and aluminum from Mexico and Canada was a crucial development for our automakers, as well as many lawmakers on both sides of the aisle. We also understand that conversations between Ambassador Lighthizer and members of the House working group on USMCA have been constructive. Given this momentum, we hope members of this Committee – joined by your colleagues in the House and Senate – can work to help resolve any remaining issues, so that Congress can approve USMCA and allow it to fulfill its full potential for U.S. automakers and our nation’s economy as a whole.

Again, thank you for holding this important hearing and for the opportunity to testify. I would be happy to answer your questions.

###