# Executive Summary

The automotive Rules of Origin (ROO) are a fundamental part of the North American Fr 33(d.))-3dun

## KEY FINDINGS

- Unintended consequences:

## Introduction

The U.S. automotive industry is heavily dependent on trade within the North American Free Trade Agreement (NAFTA) region. Current proposals to change how NAFTA works in the automotive and parts industrie

## Methods, Data, and Assumptions

Many of the details of how the U.S. proposal will be operationalized are not yet available. What is more, current and historical NAFTA content data are not publicly available. CAR had to make certain assumptions; this section documents those assumptions.

2. AALA counts only the ratio of the value-added in parts and materials over the total value of parts and materials; the current NAFTA counts only parts that are on the tracing list.
3. AALA counts the country of greatest value-added for engines and transmissions as the origin; NAFTA counts only completed engine and transmissions and those engine and transmission parts that are on the tracing list.
4. Final vehicle assemblyf pa

Germany, the AALA data will only show the German origin. Many vehicle models source engines and transmissions from different global locations depending on the configuration, and while CAR has access to commercially-available automotive forecasts that show the powevE5(in)0( s)8(o)-5(u)3(r(e)9pla(u)9(n)3s,(w )-4(tels)1e

[illegible] suggested retail price (MSRP) for the vehicles in question and assuming the automakers would need to pay the MFN tariff (2.5 percent on cars, CUVs, and SUVs; 25 percent on pickup trucks and cargo vehicles) on these imports to the United States, [illegible] aggregate gross tariff collection of between USD 2.1 - 3.8 billion. The tariffs would add between USD 470 and USD 2,200 to the cost of these particular vehicles. Assuming the manufacturers pass through the entire cost of the tariff to consumers, the result would be an estimated loss of 60,000 to 150,000 annual U.S. light vehicle sales.

It is important to note that this analysis did not take into account the impact of the proposed NAFTA ROO on U.S. automotive exports.

automotive-producing region has a near-shore LCC. If manufacturing in Mexico becomes too costly, automakers will relocate production to LCCs in other areas of the globe. The current LVC proposal is parts manufacturing industries could perversely result in lower automotive and parts production and employment in the region.

Canada and Mexico were very dependent on sales to the U.S. market in 1994 when NAFTA took effect, but both NAFTA partners are less dependent on the United States today. The Canadian and Mexican governments have aggressively pursued free trade agreements with the rest of the world.