NAFTA 10 YEARS LATER

Motor Vehicles and Parts

Export Highlights

U.S. firms exported nearly $77.9 billion in motor vehicles and parts in 2002, including $43.9 billion to Canada and $15.3 billion to Mexico. Together, our NAFTA partners account for nearly 76% of total U.S. exports of motor vehicles and parts.

![Graph showing NAFTA-Led U.S. Export Growth Motor Vehicles and Parts]

From 1992 to 2002, U.S. motor vehicles and parts firms increased exports to Canada by 87% and increased exports to Mexico by 126%.

![Graph showing U.S. Share in Mexico's Import Market Motor Vehicles and Parts]

In 2002, U.S. firms captured 67% of Mexico’s total automotive import market and 77% of Canada’s total automotive import market.

Industry Facts

- NAFTA opened the Mexican market to U.S. automotive products, and over the past decade Mexico has become our second largest automotive export market, trailing only Canada.

- NAFTA relaxed investment restrictions in Mexico and eliminated requirements for auto assemblers to build vehicles in Mexico from Mexican-made parts. More U.S.-made parts, in terms of value, are being used by auto assemblers in Mexico today than before NAFTA.

- NAFTA allows U.S. automotive producers to treat the three countries as a single market and maximize efficiencies. In the face of pressures from global competition, the ability to integrate and consolidate regional operations has helped U.S. firms remain competitive. Today, NAFTA automotive markets are highly integrated. Nearly half of U.S. automotive imports come from our NAFTA partners, while 73% of U.S. exports go to our NAFTA partners.

- U.S. vehicle production increased 27% over the 1992–2002 period, from 9.7 million units to 12.3 million units. Since 1993, light vehicle production capacity has increased in all NAFTA countries, including an increase of 714,000 units in the United States and 437,000 units in Mexico. U.S. automotive parts production has increased 81% since 1992, to $181 billion in 2001.
Trade Barrier Elimination

NAFTA dismantled the highly import-restricting Mexican Automotive Decrees, which were laced with tariff and nontariff barriers such as local content and trade balancing requirements, and market access and market share requirements. NAFTA eliminated all Mexican tariffs on U.S. automotive products, some as high as 30%. U.S. automotive firms now receive an average 18% tariff preference over export competitors to Mexico, and as high as 30% on certain automotive products. For example, U.S. firms benefit from duty-free access to Mexico for new passenger vehicles, while Japanese and South Korean exporters are subject to at least a 20% tariff.

Employment Opportunities

The automotive industry employed 1.04 million people nationwide in 2002. Wages in this sector have increased 34% since 1992, and motor vehicle production workers remain among the highest-paid in the U.S. economy. Their average hourly rate was $25.31 in 2002, 65% above the national average. Employment in this sector increased 7% from 1992 to 2002. The automotive sector has benefited from productivity gains as the number of vehicles assembled per production worker has increased from 43.9 in 1997 to 53.1 in 2002.

Key Exporting States

California, Georgia, Illinois, Indiana, Kentucky, Michigan, Missouri, New York, North Carolina, Ohio, Oregon, South Carolina, Tennessee, Texas, Wisconsin

Success Stories

► Without NAFTA, automotive parts maker TRW would have moved its manufacturing facility in Lebanon, Tennessee, to Mexico. Instead, NAFTA’s cuts in tariffs and local content requirements allowed TRW to keep production in Tennessee, and the firm has added 200 jobs since NAFTA’s passage.

► Thanks to NAFTA’s elimination of trade restrictions in Mexico, DaimlerChrysler’s exports to Mexico increased from just 5,300 vehicles in 1993, to 260,012 in 2000. The Belvidere, Illinois, assembly plant produces the Dodge Neon and is dependent on exports, with 41% of total exports going to Canada and 36% to Mexico.

► The Ford Motor Company uses facilities throughout North America to produce its heavy-duty F-series pickup trucks. The truck engines are produced in Canada, the transmissions in the United States, and the trucks themselves in U.S. and Mexican facilities. Before NAFTA, Mexican tariffs and local-content rules restricted the volume of trucks or parts Ford could export to Mexico. “NAFTA has given us the opportunity to look at these three countries as a single market so we can maximize our efficiencies,” says William P. Kelly, Ford’s director of international government affairs.

The Sector

This sector includes finished automobiles, buses, trucks, and other road motor vehicles, and automotive parts.