



May 12, 2016

Ambassador Michael B. Froman  
United States Trade Representative  
Office of the United States Trade Representative  
600 17<sup>th</sup> Street N.W.  
Washington D.C. 20508 USA

Dr. Ildefonso Guajardo Villareal  
Minister of Economy, Mexico  
Paseo de la Reforma 296, piso 27  
Col. Juárez  
Del. Cuauhtémoc  
06600 Ciudad de México

The Honourable Chrystia Freeland  
Minister of International Trade, Canada  
125 Sussex Drive  
Ottawa, ON, K1A 0G2  
Canada

Dear Ambassador Froman, Minister Guajardo, and Minister Freeland:

The American Automotive Policy Council (AAPC), the Mexican Automobile Manufacturers' Association (AMIA), and the Canadian Vehicle Manufacturers' Association (CVMA), representing the automakers that manufacture the vast majority of motor vehicles built in North America, are writing this joint letter to call for a much closer coordination of economic, trade and investment policy by the Canadian, Mexican and U.S. governments, particularly with respect to agreements all three countries have with the same party.

This increase in policy coordination between NAFTA partners is especially important now, given the involvement of all three countries in either implementing, modernizing or negotiating agreements with the European Union (EU). The Canada-EU Free Trade Agreement (CETA) is being finalized, the Mexico-EU FTA is being updated, and the Transatlantic Trade and Investment Partnership (TTIP) is being negotiated.

Over 50 years ago (1965), the United States and Canada signed their first trade agreement – called the United States-Canadian Auto Agreement (Auto Pact). The Auto Pact reflected the already highly integrated nature of the US-Canada auto sector and worked to remove barriers to further growth in bilateral automotive trade and investment. In 1989, the US-Canada FTA was signed, extending the benefits of the Auto Pact to many other US-Canada trade industries, while updating the Auto Pact’s automotive provisions. And, in 1993, the North American Free Trade Agreement (NAFTA) was signed, adding Mexico, and further updating and refining the rules governing North American automotive trade and investment.

The progression of the North American trade agreements outlined above both followed and facilitated a deeper integration of the North American auto sector, which is reflected in the volume of trade between the three countries. In 2015, there was \$1.1 trillion in total merchandise trade (imports and exports) between Canada, Mexico and the United States, and \$221 billion—or 20%—of that trade was automotive (vehicles and parts).

It is important to recognize that the economic and commercial environments in which earlier free trade agreements (FTAs) were negotiated and the contemporary FTAs involving the three North American trade partners are significantly different. Where the now 22 year old NAFTA and the 15 year old EU-Mexico FTA sought to reflect and further facilitate the integration of industrial sectors, contemporary FTAs involving North American trade partners seek to bolster and streamline trade between mature, fully developed economies that, while adding inputs from new trade agreement partners, will continue to rely in large part on their existing manufacturing footprints and sources of inputs.

In recognition of today’s economic and commercial environment, the importance of maintaining and supporting the virtually complete integration of the North American automotive sector and the critical role that sector plays in all three national economies, it is essential that the TTIP auto rules of origin (RoO) allow for the cumulation of Canadian and Mexican content. The absence of such a provision in the TTIP will make it difficult, if not impossible, for many potential U.S. auto exports to the EU to meet an auto RoO content level that would be considered acceptable by key U.S. stakeholders and therefore qualify for preferential tariff treatment.

The ultimate objective is to achieve a common RoO across the TTIP, CETA and the EU-Mexico FTA. The CETA already includes language contemplating cumulation with U.S. content once the TTIP goes into effect. Building on this, the U.S., Canada and Mexico should seek to adopt common rule of origin methodologies, content requirements, i.e. regional value content and cumulation rules (including acceptance of U.S., Mexican, Canadian or EU content to meet the RoO under any of the three FTAs). Common verification procedures in all of these FTAs should

be adopted in order to reinforce the integration of North American automotive manufacturing and the economic growth it has fostered. The negotiations involving the implementation of the CETA, the EU-Mexico FTA modernization process and the TTIP should strive to achieve this important objective.

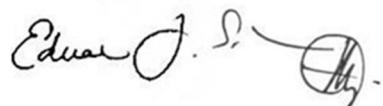
The complete harmonization of the origin rules among the three trade agreements is, practically speaking, a longer term objective. In order to facilitate the adoption of an acceptable TTIP RoO in the near term, which includes North American cumulation, we respectfully request that Canada and Mexico work with the U.S. and EU to create mechanisms to verify that Canadian and Mexican content meet the TTIP auto parts RoO, once that FTA is concluded and enters into force.

The proximity of the finalizing, updating or negotiating of the CETA, EU-Mexico FTA and TTIP represents a rare opportunity to coordinate North American automotive trade and economic policies. We appreciate your consideration of our recommendations and look forward to working with you to explore how we can best work together to achieve our shared goals.

Sincerely,



Governor Matt Blunt  
President, American Automotive Policy Council (AAPC)



Eduardo J. Solis Sanchez  
Executive President, Asociación Mexicana de la Industria Automotriz (AMIA)



Mark A. Nantais  
President, Canadian Vehicle Manufacturers' Association (CVMA)