



**Comments of the
Motor & Equipment Manufacturers Association
to the
Office of the United States Trade Representative
on the
Request for Comments Concerning the Operation of the
United States-Mexico-Canada Agreement with Respect to Trade in Automotive Goods
Docket No. USTR-2022-0001
March 28, 2022**

The Motor & Equipment Manufacturers Association (MEMA) submits the following comments regarding the Request for Comments from the Office of the United States Trade Representative (USTR) on the “Operation of the United States-Mexico-Canada Agreement with Respect to Trade in Automotive Goods” published February 10, 2022.¹

Executive Summary

While MEMA supported the automotive goods trade provisions of United States-Mexico-Canada Agreement (USMCA),² the comments expressed in this submission convey the challenges faced by the vehicle supplier industry since the agreement went into effect mid-year on July 1, 2020. It cannot be overemphasized that the automotive goods trade provisions – particularly the preferential rules of origin – established a new set of rules with new concepts and legal terms not found in any other U.S. or international trade agreement to date. Moreover, these novel provisions only apply to the vehicle industry, which place the industry in a unique position not shared by any other business sector.

MEMA also wishes to underscore that the comments in this submission in some cases do not recommend or advocate changes, notably because MEMA recognizes that changes would often require trilateral approval. However, MEMA believes it important that USTR and the other U.S. agencies that will administer and enforce the USMCA automotive goods trade provisions recognize and appreciate the impact of the new rules on the vehicle supplier industry as the U.S. government develops guidance to implement the USMCA going forward.

The following are highlights of the specific comments MEMA is pleased to offer in this submission:

- Operational clarity of the USMCA automotive rules of origin is critical for vehicle parts producers (*i.e.*, vehicle suppliers). This clarity can be achieved either through formal U.S. domestic regulations or informal guidance, such as information provided in USTR and U.S. Customs and Border Protection (CBP) website pages or audit handbooks.
- While the intent of the USMCA automotive goods trade provision was to reduce the administrative burdens on the vehicle supplier industry, the opposite has occurred. In the comments that follow, MEMA describes these burdens that are unique to our industry in the

¹ 87 Fed. Reg. at 7896.

² In Canada: Canada-United States-Mexico Agreement (CUSMA). In Mexico: Tratado entre México, Estados Unidos y Canadá (T-MEC).

hope that they can be reduced or, at the very least, be taken into account when administering the USMCA going forward.

- While flexibility has been built into the certification process, it has created everyday challenges, particularly for vehicle suppliers, both in terms of soliciting certifications from lower tier suppliers and responding to certification requests from their vehicle manufacturer customers, also known as OEMs.
- Some of the automotive rules of origin (Auto ROO) do not reflect the global supply chain, particularly as advanced vehicle technology products are being rapidly developed (*e.g.*, electric vehicles, driver assistance safety features, automated driving systems). The automotive rules of origin must keep pace with the technological developments in the vehicle industry.
- While vehicle manufacturers and vehicle parts suppliers share many of the same concerns regarding the USMCA automotive trade provisions, USMCA has created – in a number of cases – a separate set of origin rules for each. Accordingly, MEMA members, which are comprised of vehicle parts suppliers, face separate challenges independent of the issues impacting OEMs, requiring solutions specific to such suppliers.

In the years preceding the enactment of the USMCA, MEMA and its members worked very closely with USTR staff in providing feedback on proposed USMCA automotive goods trade provisions and their likely impact on the vehicle supplier industry. Since implementation, vehicle suppliers have been adjusting to these new and complex automotive rules of origin. Herein, MEMA highlights some of the ongoing challenges facing vehicle suppliers for the USTR's consideration as it prepares its report for the Congress. Moreover, MEMA encourages this dialogue and partnership to continue as further guidance is developed interpreting and implementing these provisions.

MEMA continues to support the USMCA and its principles. However, it is critical that USTR and the other U.S. agencies that administer and enforce the USMCA automotive goods trade provisions recognize and appreciate the real-world impacts and burdens associated with these novel concepts and rules on the vehicle supplier industry. Some of these consequences were anticipated, but many were not. Re-engaging with key stakeholders like MEMA to discuss ways to enhance clarity to improve certainty for vehicle suppliers and their OEM customers is imperative.

Introduction

About MEMA

MEMA represents over 900 vehicle suppliers that develop innovative technologies and manufacture original equipment (OE) and aftermarket parts, systems, and materials for use in passenger cars and commercial trucks.³ The vehicle supplier industry is the nation's largest sector of manufacturing jobs directly employing more than 907,000 workers in all 50 states. Direct, indirect, and induced vehicle supplier employment accounts for over 4.8 million U.S. jobs and contributes 2.5 percent to U.S. GDP. The average U.S. wage for direct vehicle supplier jobs reached \$80,300, exceeding the average of all U.S. manufacturing sectors.⁴

Across the entire range of new vehicle innovation – from automated to zero-emission technologies – vehicle suppliers are leading the way. Vehicle suppliers conceive, design, and

³ MEMA represents its member companies via the Automotive Aftermarket Suppliers Association (AASA); Heavy Duty Manufacturers Association (HDMA); MERA – The Association for Sustainable Manufacturing; and, Original Equipment Suppliers Association (OESA). For more information, visit <http://www.mema.org>.

⁴ [U.S. Labor and Economic Impact of Vehicle Supplier Industry](#), MEMA and IHS Markit. February 2021.

manufacture the OE components and technologies that make up two-thirds of the value in every vehicle. Additionally, vehicle suppliers also manufacture aftermarket parts and materials for the maintenance and repair of 290 million vehicles on U.S. roadways. (Also see figure below.)

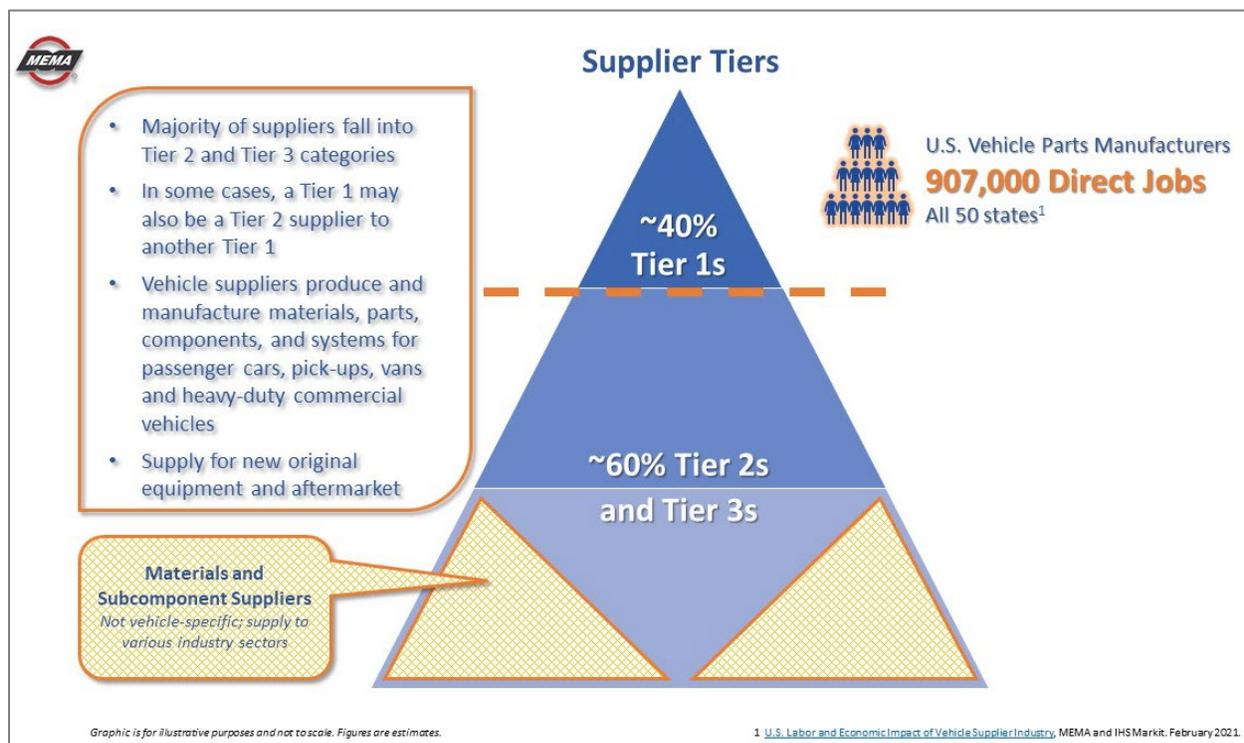
Suppliers are Critical to the U.S. Economy and Supply Chain

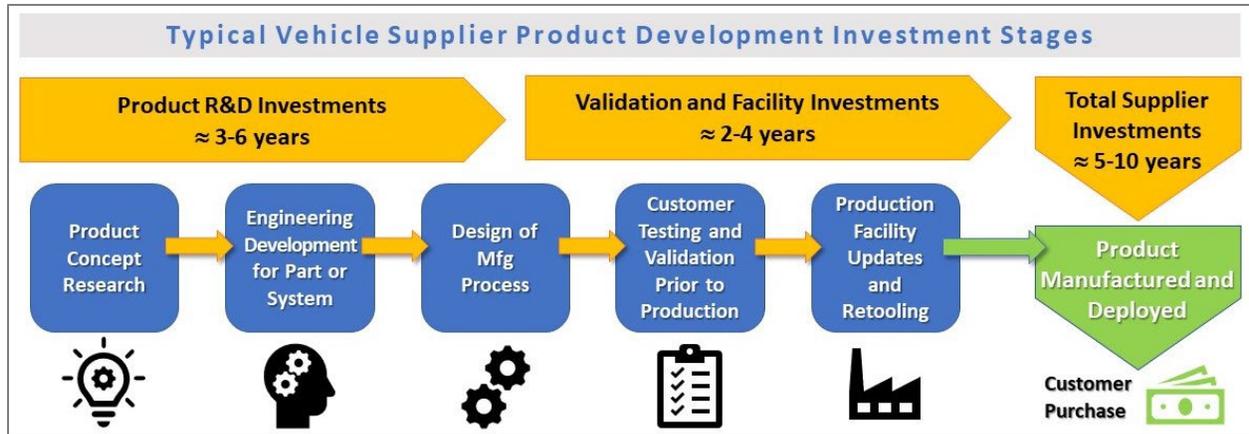
The success of U.S. vehicle parts manufacturers depends on a strong, functioning North American supply chain, policy and regulatory certainty, and a skilled workforce. Our industry relies on both global inputs and local domestic components to be viable with as little disruption and as much predictability as possible. The vehicle supply chain, their customers, and the jobs they support are highly interdependent. Suppliers have faced the cumulative impacts and costs of various ongoing trade actions, which, in some cases, impeded growth opportunities for companies to further invest in more U.S. manufacturing capacity, technology innovation, or workforce development. The economic climate resulting from the global pandemic continues to exert pressure on companies – particularly Tier 2 and 3 suppliers – to adapt. The past two years have clearly demonstrated that various kinks in the global and domestic supply chains have been highly disruptive to key U.S. industries – especially vehicle and vehicle parts manufacturing.

Suppliers' Role in Developing Innovative Technologies

A typical vehicle can include 30,000 components and subsystems, the majority of which are developed through vehicle supplier innovation and manufacturing and equal about 77 percent of a new vehicle's value. Vehicle suppliers are industry leaders developing innovative advanced technologies and providing a wide range of products – from essential component parts to complex, highly integrated systems – improving vehicle safety, emissions, and efficiencies. Vehicle suppliers continuously anticipate the needs of their vehicle manufacturer customers, take on the initial investments, and commit significant resources in developing multiple technology solutions to assist their OEM customers meet a multitude of domestic and global regulations and standards.

As such, vehicle suppliers take on substantial associated risks by driving a wide array of technology advancements, innovative materials and system solutions that are needed to improve





vehicle safety and reduce vehicle emissions. The roll-out of these technologies requires substantial lead-time, long-term planning, and major economic resources. As the figure illustrates, a typical supplier's timeline for product development and investments usually includes up to six stages, each stage ranging from six months to two years depending on the technology. Technology development and investments are planned carefully to align with vehicle production cycles to avoid stranded investments. The return on investment is estimated very carefully and amortized over several years. Importantly, vehicle suppliers do not get return on their capital investment until these technologies are deployed. As a result, total vehicle supplier resource investments are quite substantial, and the time investment ranges five to ten years.

Consequently, vehicle suppliers are not only at risk that their customers will not purchase these technologies at the volumes expected, but also there is the risk that consumers will not adopt these technologies in the volumes predicted. Recently, there has been increased risks of problems in the global supply chain due to a myriad of factors. Because of these risks, MEMA strongly supports policies that support a sustainable U.S. supply chain and policies that encourage a robust and healthy ecosystem that supports U.S. manufacturing and consumer adoption of technologies. These policies can mitigate some of these risks facing vehicle suppliers and help U.S. vehicle suppliers remain competitive in the global economy.

MEMA Supported Passage of the United States-Mexico-Canada Agreement (USMCA)

MEMA – along with many other industry stakeholders – envisioned that the USMCA would serve as a catalyst for enhancing American manufacturing, job growth and investments, foster economic confidence, maintain supply chain stability, and support global competitiveness with other manufacturing regions like Europe and Asia. MEMA worked closely with the USTR and U.S. CBP at all levels educating them about vehicle parts manufacturers, discussing the implementation challenges of the USMCA for vehicle parts manufacturers, and offering potential solutions to address the concerns of vehicle suppliers. At the time, MEMA recognized that a three-year phase-in timeline to comply with new, more complex automotive rules of origin (Auto ROO) would be challenging, but achievable if vehicle producers and vehicle parts producers were given clear direction in the Uniform Regulations and related implementing instruments.

In 2019, MEMA supported the passage of the United States-Mexico-Canada Agreement Implementation Act because it was critically important for continued U.S. economic growth, technology innovation, and job creation. Reinforced by the consultative dialogue with officials, MEMA's support for the USMCA was predicated on multiple common understandings and shared principles with the USTR. Once the legislation passed, MEMA urged federal officials in the

administration to create a strong regulatory framework with clear Uniform Regulations. Another complicating factor was the mid-year entry into force, giving the vehicle industry very little time to prepare for the transition and conduct solicitations. As government and industry prepared for implementing the USMCA, MEMA continued to provide extensive input and feedback directly to USTR and CBP. While some questions were addressed informally, there remain many issues that MEMA raised that remain unclear and need to be expressed in regulatory language and in other implementing instruments and guidance.

Operational Clarity of the USMCA Automotive Rules of Origin is Critical for Suppliers

As we are on the cusp of the two-year anniversary of the USMCA, MEMA encourages the USTR to seek public input, such as this request for comments, to identify and seek opportunities to enhance clarity on implementing key elements of the Auto ROO. Consultations on these questions are particularly important where there remains uncertainty related to potential compliance and commercial impacts for vehicle suppliers. Language in the USMCA Uniform Regulations, U.S. domestic regulations, and related instruments must be amended for clarity. Particularly for the Auto ROO; how the regional value content corresponding to vehicle suppliers – as well as the trickle-down impacts and compliance implications of vehicle producer-only requirements on vehicle suppliers. In sum, our sector needs deliverables providing more clarity and certainty.

MEMA’s response to the questions presented in the USTR Request for Comments on the Operation of the USMCA with Respect to Trade in Automotive Goods

MEMA appreciates the opportunity to provide comments per USTR’s request that seeks views on the operation of the USMCA with respect to trade in automotive goods. Please note, throughout the answers to the USTR’s questions below, MEMA uses the terms “vehicle suppliers” and “vehicle parts producers” interchangeably. Furthermore, the term “automotive” in this context includes the entire spectrum of light and heavy vehicles (*e.g.*, passenger cars, light trucks, and commercial trucks) as well as the parts and components used for those vehicles. The comments of MEMA will address the six questions presented in the USTR notice that are excerpted below and emphasized in bold italics.

1. The overall operation of the USMCA with respect to automotive goods.

As an initial matter, it is important to recognize that the vehicle industry faces a complex set of rules under the USMCA to which no other industry must adhere. Moreover, these rules being exclusive to the vehicle industry cover a unique and highly interdependent North American supply chain, which, as noted above, relies on global and domestic components to be viable with as little disruption and as much predictability as possible.

Given the intricacies of the USMCA automotive rules themselves, and separately of the North American vehicle industry supply chain, MEMA and its members understand the challenges in developing a parallel USMCA framework throughout the industry. However, even when accounting for these difficulties, MEMA believes that the overall operation of the USMCA with respect to automotive goods has fallen below expectations.

- Administrative burdens have not been reduced by the USMCA

A significant issue has been the administrative burden that the operation of the USMCA has placed on the vehicle industry. As noted above, MEMA and many other industry stakeholders supported the passage of the USMCA in part because it was developed as a modernized free trade agreement that would continue U.S. economic growth and technological innovation, while maintaining stability in the

supply chain. The USTR itself has highlighted the USMCA as the “most comprehensive and high-standard agreement ever negotiated” with key updates from the North American Free Trade Agreement (NAFTA), including that it “reduces the administrative burden on vehicle and parts producers.”⁵

Despite these expectations for reduced administrative burdens, in practice, there has been minimal change from the administrative burdens experienced under NAFTA. For example, as with NAFTA, in some instances, the North American countries apply conflicting Harmonized Tariff Schedule (HTS) classifications to the same part, which requires duplicative work by vehicle parts producers certifying the same part in different countries. Similarly, there is little difference between NAFTA Certificates and the minimal elements for a USMCA Certification. While the latter provides flexibility in the format, this creates the new challenge of having to create a certification that conforms with the minimum elements without a uniform standard form to rely on.

While helpful in some cases, not having a standardized certificate for Auto ROO has the consequence of further increasing the administrative burden for suppliers as they conduct compliance reviews of certifications. Each vehicle producer has their own forms and formats for information collection. Moreover, vehicle parts producers up and down the supply chain may also have their own forms and formats. There is no consistency, which has caused significant impacts on vehicle suppliers. Consider, for example, there are approximately 22 major passenger vehicle automakers – each with their own solicitation forms, formats, response timelines, etc. – submit solicitations to hundreds of Tier 1 suppliers. Then, each Tier 1, in turn, solicits downward in their supply chain to hundreds more companies. Because of the added administrative burdens, it is incumbent on the government to reduce these burdens when it can.

One of the key reasons MEMA supported passage of USMCA was the promise of modernization, improved efficiency, and customs facilitation. For other industries, perhaps facilitation may have been realized, but this has not been the real-world experience for most vehicle parts producers. MEMA recognizes that in developing and modernizing the agreement the USTR and their counterparts were trying to create efficiencies and provide flexibilities. However, the real-world experiences of vehicle parts suppliers have revealed the opposite has come true. The unintended consequences of some of those “flexibilities” compounded by the increased complexity related to automotive goods have instead resulted in increased uncertainty and additional layers of administrative burdens, particularly for vehicle suppliers.

As such, MEMA encourages more dialogue between vehicle suppliers and the administration to discuss these impacts and seek ways to ease and reduce burdens and barriers. More importantly, MEMA urges that stakeholder dialogue needs to result in official Administration responses and formal documentation to provide clarity and certainty to the industry.

- Some Auto ROO do not reflect the global supply chain, particularly for EV products

Another particular concern is that many aspects of the Auto ROO do not align with the realities of the global vehicle supply chain. For example, many materials and critical minerals⁶ required for producing vehicle advanced batteries are not available in North America and face significant double-digit tariffs if imported into the United States. As a result, this significantly limits the ability to produce a USMCA-originating advanced battery based on its Auto ROO, which in turn deters the USMCA qualification of OEM electric vehicles incorporating such non-originating

⁵ See *The United States-Mexico-Canada Agreement Fact Sheet*, “Automobiles and Automotive Parts” at https://ustr.gov/sites/default/files/files/Press/fs/USMCA/USMCA-Autos_and_Auto_Parts.pdf.

⁶ For more about critical minerals, also see MEMA’s Comments to U.S. Department of the Interior, U.S. Geological Survey re: Notice and Request for Public Comment on its 2021 Draft List of Critical Minerals, Docket No. [DOI-2021-0013-1051](https://www.doi.gov/eis/2021-0013-1051).

batteries. Similarly, certain magnets,⁷ which are critical components of certain component parts incorporated into vehicles, are not available in North America, but the Auto ROO require such magnets to be originating for the USMCA qualification of certain components.

- Certification challenges remain under the USMCA

The certification solicitation process has also expanded further into the supply chain and created unexpected administrative burdens. In some cases, this results from having to apply different Auto ROO to the same part based on its incorporation into a passenger vehicle or heavy truck. The mid-year phase-in schedule has further exacerbated the burden of the solicitation process, where vehicle parts suppliers are receiving continuous customer inquiries on qualification with multiple confirmation requests, as well as business forecasting and long-term assessment requests. This is compounded by wage rate solicitations from vehicle producers, where the timing will not always align with requests for USMCA certifications.

These different technical rules and processes end up providing incongruous pathways that are not aligned and thus ultimately create gaps at different places in the supply chain. To avoid these inconsistencies, MEMA strongly believes that the USTR, CBP and other federal agencies should continue seeking opportunities to enhance clarity on implementing key elements of the Auto ROO, particularly where there remains uncertainty related to potential compliance and commercial impacts for suppliers.

2. *Actions taken by automotive and parts producers to demonstrate compliance with the USMCA automotive rules of origin, including:*

- a. The applicable RVC requirements for passenger vehicles, light trucks, heavy trucks, other vehicles, and parts thereof.***
- b. The North American steel and aluminum purchase requirements.***
- c. The LVC requirements.***

As noted above, MEMA has worked closely with the USTR and CBP during the implementation of the USMCA and strongly encouraged operational clarity in the Uniform Regulations, U.S. domestic regulations, and related guidance. However, lack of clarity with respect to certain provisions of the Auto ROO has been a major, ongoing concern for MEMA and its members.

- Lack of clarity regarding super-core parts

One provision of particular concern, due to the additional burden it creates on vehicle parts producers, relates to the super-core parts rules under Section 14 of Appendix A of 19 CFR Part 182. Here, because the producers of passenger vehicles and light trucks can utilize the super-core parts rules to satisfy their vehicle's core parts requirement for purposes of qualifying the vehicle, it requires vehicle producers to request specific information from vehicle parts producers for purposes of applying the super-core parts rules. The guidance for applying the super-core parts rules, however, is not clear, and thus, for example, it can be very difficult to discern what exactly constitutes a "part" or "component" under Table A.2 of Appendix A of 19 CFR Part 182.

Ultimately, the lack of clarity with respect to the super-core parts rules creates inconsistent USMCA requests from automakers to suppliers. Producers of core parts, on the other hand, cannot qualify their own core part through the super-core parts rules. Therefore, the burden on such core parts producers is clearly increased when dealing with USMCA certification requests to qualify the

⁷ For more about specialty magnets, also see MEMA's Comments to U.S. Department of Commerce, Bureau of Industry and Security re: Section 232 investigation on imported neo-magnets, Docket No. [BIS-2021-0035-0018](#).

core part itself and separately inconsistent requests on details to support a vehicle producer's super-core part calculation.

- Delay in the issuance of final Uniform Regulations and impact on the LVC certification

Additionally, it remains to be seen when the final U.S. domestic regulations will be issued and whether they will provide additional clarity on the Auto ROO. Moreover, while it is generally understood that the final domestic regulations will provide guidance on the labor value content (LVC) certification process, the underlying operation set by 19 U.S.C. § 4532(c) poses a problematic restraint to trade facilitation. Based on this provision, LVC certifications cannot be considered properly filed until the U.S. Department of Labor ensures such certification does not contain omissions or errors. This would appear to create a pre-entry review process for the USMCA qualification, which moves away from the entry facilitation principles established in free trade agreements since NAFTA. As a result, this further adds to the uncertainty in the certification solicitation process that trickles down to the wage rate solicitations to vehicle parts producers.

3. The use of alternative staging regimes by vehicle producers to meet the USMCA automotive rules of origin.

The use of alternative staging regimes also impacts the burden experienced by MEMA members due to the different rules applicable to the automakers that are approved under these regimes. As a result of these different rules, vehicle parts producers need to meet multiple timelines and different targets depending on the alternative staging regime applicable to their automaker customers.

4. Enforcement of the USMCA automotive rules of origin, including the alternative staging regimes and the automotive certification process for steel and aluminum content, LVC, and RVC.

MEMA strongly believes that the complexity of the Auto ROO and the lack of clear guidance in the operational rules issued to date presents a significant issue with the USMCA regulatory framework, which will impact the enforcement of the rules. As described above, the confusion that currently exists in the implementation of certain issues such as super-core parts rules and the LVC certification process is creating inconsistent and burdensome requests to vehicle parts suppliers that could result in various compliance issues. MEMA encourages the USTR to identify and seek opportunities to enhance clarity on implementing key elements of the Auto ROO.

As one example, the development of a resource such as the NAFTA Verification/Audit Manual ("Manual") would help provide much needed guidance on the interpretation and enforcement of the USMCA. Under the NAFTA, the Manual was developed amongst the NAFTA countries to help support the verification of goods for which NAFTA preferential tariff treatment was claimed. The Manual helped establish uniform policies and procedures that would govern an audit or verification, providing useful and technical guidance to both customs authorities and importers, exporters, and producers. The Manual also helped bring additional clarity to the NAFTA's Auto ROOs. MEMA would support efforts undertaken by USTR to develop a similar manual or guidance document under the USMCA, and MEMA would welcome the opportunity to provide input or feedback during such a process.

5. Whether the current USMCA automotive rules of origin are effective and relevant in light of new technology and changes in the content, production processes, and character of automotive goods.

MEMA members have taken a leadership position in the vehicle industry's development of advanced technologies. Leadership in these developments requires vehicle parts and components manufacturers to take on substantial associated risks to anticipate and satisfy the needs of vehicle manufacturers by developing a wide array of technology advancements and innovative materials

needed to improve vehicle safety, fuel efficiency, and reduce emissions. Beyond the risk of OEMs and consumers not adopting these technologies, there is added risk from the international trade challenges facing the global vehicle supply chain.

Technological innovation and supply chain stability were critical aspects of MEMA's support for USMCA implementation. Provisions, such as the treatment of recovered materials and remanufactured goods under Section 4 of Appendix A of 19 CFR Part 182, illustrate the USMCA's commitment to cutting-edge and sustainable developments. However, as noted above, many aspects of the Auto ROO do not align with the realities of the global vehicle supply chain. This is particularly the case with new technologies in the vehicle industry, where the development and production of advanced batteries and other vehicle components in the U.S. is stymied by Auto ROO that are dependent on originating materials that are scarce or non-existent in North America.

Furthermore, there have recently been major changes to the HTS based on the tariff classification amendments by the World Customs Organization, which include new classifications for electric heavy trucks, among other parts and inputs incorporated into vehicles. Tariff classification of electric vehicles and their components will also continue evolving through CBP's customs rulings and other guidance. Given the impact that the HTS has on the Auto ROO, it is critical that the USTR, CBP, and other federal agencies keep up with the pace of technological innovation in the vehicle industry to avoid additional uncertainties in the application of the Auto ROO.

Because of these risks, MEMA strongly supports the administration implementing policies that support a sustainable U.S. supply chain and encourage a robust and healthy ecosystem that supports U.S. manufacturing and the consumer adoption of technologies. These policies can mitigate some of these risks facing vehicle suppliers and can help U.S. vehicle suppliers remain competitive in the global economy.

MEMA also encourages USTR to engage with the other USMCA countries to trilaterally update the Auto ROOs and Uniform Regulations as necessary and to address other implementation issues, ensuring that the USMCA's rules and provisions keep pace of the fast-evolving developments and technologies in the industry. The USMCA treaty itself provides for various mechanisms to enable such trilateral consultations to take place, recognizing the need to modify or amend the rules of origin to account for developments in technology or production processes. Likewise, the USMCA contemplated the need to regularly consider modifications or additions to the Uniform Regulations that would help facilitate practical and useful guidance and promote greater compliance with the treaty's provisions.

During the initial phase of the USMCA's implementation, MEMA provided significant input and feedback directly to USTR and CBP about the unique challenges facing vehicle suppliers. Given MEMA's demonstrated record of working collaboratively with the agencies, MEMA strongly encourages USTR and CBP to continue to find ways to engage stakeholders and seek industry comments and participation, particularly in any effort to update or modify the Auto ROOs, Uniform Regulations, or related guidance.

6. Any other topics relevant to the trade in automotive goods under the USMCA.

Overall, MEMA continues to be aligned with many of the goals set out by the USMCA. As described in USTR's USMCA fact sheet on the vehicle industry, these goals include:

- incentivizing new U.S. investments in the automotive sector;
- promoting additional purchases of U.S.-produced automotive parts;
- advancing U.S. leadership in automotive R&D;

- supporting additional high-paying U.S. jobs in the automotive sector; and,
- encouraging automakers and suppliers to locate future production of new energy and autonomous vehicles in the United States.⁸

Attaining these goals for a unique, complex, and highly interdependent vehicle industry supply chain within the constraints of international trade is a rigorous endeavor, requiring significant input from the industry to appreciate the actual benefits and ramifications.

Accordingly, throughout the lead up to USMCA implementation, MEMA and its members valued their opportunity to work closely with USTR and CBP because understanding the supply chain was and remains critical to the goals of the agreement. At the time, MEMA recognized that a three-year phase-in timeline to comply with new, more complex Auto ROO would be challenging, but achievable if producers were given clear direction in the Uniform Regulations and related implementing instruments. MEMA's support was further reinforced by multiple common understandings and shared principles with the USTR.

However, as described throughout this comment, the mid-year entry into force and multiple certification requirements, the delays in the final U.S. domestic regulations, and uncertainty regarding many USMCA technical requirements, illustrate the lack of operational clarity impacting the U.S. vehicle industry supply chain. Aside from the substantial administrative burden that these issues are generating, the lack of operational clarity could further lead to significant inequities amongst competitors throughout the industry solely based on their compliance practices formed by different interpretations.

The ongoing trilateral dispute on the super-core parts rules is only one example of many, where the USMCA's lack of guidance creates potential for unfair trade that will hinder the achievement of the USMCA's goals for the vehicle industry. NAFTA, by comparison, had detailed examples of technical requirements in the regulations, audit manuals, and over 20 years of CBP binding customs rulings, among other guidance, that the industry could rely on to eliminate uncertainties. Ultimately, reaching the USMCA's goals for the vehicle industry, will be dependent on the operational clarity that USTR, CBP and other federal agencies can provide to the vehicle industry in the coming years.

Conclusion

MEMA appreciates the opportunity to provide these perspectives on behalf of the vehicle supplier industry. MEMA continues to support the USMCA and its principles. Our members operate in a global economy that depends on a strong North American trading economy and a worldwide network of suppliers and customers for continued viability and growth. As such, it is critical that USTR and the other U.S. agencies that administer and enforce the USMCA automotive goods trade provisions recognize and appreciate the real-world impacts and burdens associated with these novel concepts and rules on the vehicle supplier industry. Some of these consequences were anticipated, but many were not. Re-engaging with key stakeholders like MEMA to discuss ways to enhance clarity to improve certainty for vehicle suppliers and their OEM customers is imperative.

For more information, please contact Ann Wilson, senior vice president of government affairs (awilson@mema.org) and Leigh Merino, vice president of regulatory affairs (lmerino@mema.org).

⁸ See *The United States-Mexico-Canada Agreement Fact Sheet, "Automobiles and Automotive Parts"* at https://ustr.gov/sites/default/files/files/Press/fs/USMCA/USMCA-Autos_and_Auto_Parts.pdf.