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COMMERCE SECRETARY RON BROWN UNVEILS REPORT DETAILING AUTO INDUSTRY'S BIG GAINS UNDER NAFTA

In releasing a new Department of Commerce report, NAFTA Opportunities: Motor Vehicles and Auto Parts, U.S. Secretary Ronald H. Brown today said, "The North American Free Trade Agreement (NAFTA) is a big plus to the automotive industry -- it means exports and that means jobs."

The Secretary also noted that, "in addition, NAFTA's benefits will accrue to virtually every U.S. industry." The Commerce Department will release additional reports highlighting NAFTA's benefits for specific industry sectors in the coming week.

According to the Secretary, "The automotive industry will enjoy $2 Billion worth of new export opportunities in the very first year of NAFTA implementation -- $1 billion for cars and parts and another $1 billion for heavy trucks and buses. U.S. exports will expand further as NAFTA implementation moves forward." The report indicates NAFTA has little effect on U.S. imports of cars, buses, special purpose vehicles and parts.

Brown noted that Mexico has liberalized its economy significantly in recent years, although this has left the automotive sector largely untouched. "By removing myriad barriers, NAFTA presents the opportunity for dramatic increases in U.S. exports of cars, trucks and auto parts and components, translating directly into more U.S. jobs. GM, Ford and Chrysler have stated that increased U.S. exports will support 15,000 U.S. jobs in the first year of NAFTA alone," he said.

Canada and Mexico together account for nearly 2/3 of all U.S. automotive exports, and are our first and second largest markets, respectively, for automotive exports. U.S. exports to Mexico of auto parts and components totaled $6.5 billion in 1992, exceeding U.S. exports to the European Community ($2.2 billion) or Japan ($1 billion).

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The Mexican market is the only significantly growing market for automotive products in the Western Hemisphere, estimated at 6-7 percent in the next several years. However, U.S. vehicle exports to Mexico have been severely curtailed by Mexican restrictions which the NAFTA immediately reduces and ultimately eliminates. In contrast, today there are very few U.S. barriers to imports from Mexico.

High Mexican tariffs on autos, trucks and parts will be eliminated over 10 years, giving U.S. exports of these products a preferred position in Mexico compared to European and Asian exports to whom these tariffs will still apply. A tight rule of origin, which for cars, lights trucks, engines and transmissions will ultimately reach 62.5 North American content, ensures that these tariff benefits accrue only to parts and vehicles that use significant levels of North American content or labor.

Without NAFTA, U.S. manufacturers have to make their cars in Mexico in order to sell there. Cars and trucks made in Mexico are required to include Mexican-made parts, which in turn forces automotive assemblers in Mexico to buy parts from Mexican suppliers and limit the amount of U.S.-exported parts and components which they purchase for use in assembly. NAFTA immediately reduces and ultimately eliminates all these restrictions.

Similar provisions are contained in Mexico's decree covering trucks and buses, which NAFTA eliminates immediately.